

Under Attack/ 'There Are No Good Answers in Iraq'

Skeptics of U.S. Policy Ask Why Clinton Changed His Mind on Bombing

By Serge Schmemmann
New York Times Service

NEW YORK — In 1991, the American-led attack on Iraq was perceived the world round as a wondrous demonstration of military skill. Almost eight years later, with Saddam Hussein unbowed, unrepentant and untamed, the high-tech bombings are generating far more questions than answers.

Even setting aside the unavoidable questions about the link between the bombings and impeachment, foreign policy experts are asking why the Clinton administration has so forcefully changed its mind, after long arguing that dislodging President Saddam could create a dangerous vacuum, or that serious bombing would endanger the task of Unscow, the United Nations inspectors charged with ending Iraq's development of weapons of mass destruction.

And the experts are asking exactly how the administration intends to control Iraq's arms programs now that the inspectors have been withdrawn, and what it will do about Mr. Sad-

dam and his ambitions should he remain in power.

"I'm not from the school that says everyone is a liar, but they have not convinced me, nor people like me who follow this, why this makes sense now, and why it didn't before," said Leslie Gelb, president of the Council on Foreign Relations in New York and a former columnist for The New York Times.

"They haven't convinced me that they can find or destroy the places where Saddam keeps the chemical and biological stuff, or that he can't rebuild it rather quickly. They haven't convinced me that this is better than having Unscow there."

Indeed, military officials have said that they deliberately avoided bombing of suspected biological and chemical weapons plants for fear of unleashing deadly poisons.

Other experts argued that the new attacks represent not so much a change in policy as the latest reaction to the most formidable foreign-policy puzzle since the American-led alliance

stopped short of toppling Mr. Saddam in 1991. Since then, Mr. Saddam has succeeded in surviving, and in defying every turn of the economic and military screws.

"Iraq policy may not be the most important one," said Phebe Marr, a fellow at the Wilson Center for International Scholars in Washington. "Russia, China, the world economy are all much more important, but Iraq poses some incredibly difficult policy problems."

"There are no good answers in Iraq, only ones that are less good. At every turn we have to plot what course to take now. If we could get Unscow back in and could compel Saddam to comply, we'd all feel better. But that means Unscow has to be doing its job."

With every successful defiance of international threats, force or demands, Mr. Saddam has ensured that the next action would have to be tougher. Now the administration has declared that one of its goals is to bring about his downfall.

The change is critical. However unpopular Mr. Saddam is, ousting him was never officially

adopted as a goal by the Security Council, and there was a sense in the State Department and among some experts outside government that without a viable alternative his fall would create a chaotic power vacuum that could destabilize the Mideast.

Indeed, that argument stands. There is no indication that the fractured Iraqi opposition in exile is in any better shape today.

Given the history of the past eight years, a key question is whether air attacks, however severe, will pry Mr. Saddam loose without an operation on the ground, one that would inevitably entail casualties.

"Saddam's a disaster, but will this get rid of him?" asked William Quandt, a former National Security Council official under Presidents Richard Nixon and Jimmy Carter. "We know what we want, but we're not prepared to pay the price to do it. Bombing is the compromise choice that makes us feel better, that we're somehow punishing Iraq, though not necessarily Saddam, and we won't take any significant risks of casualties ourselves."

Politically, the bombings and the call for Mr. Saddam's overthrow already represent a major risk.

In the past, the Arabs have angrily contrasted the pressures on Mr. Saddam to what they perceive as lack of pressures on Israel to live by its obligations.

"This may feed the feeling, even unfairly, among Arabs — and Europeans, too — that this is domestically driven rather than by a desire to bring balance to the region," said Zbigniew Brzezinski, a former National Security Policy adviser to Mr. Carter.

But the greatest challenge will come when the smoke clears, when the United States must decide what to do if Mr. Saddam is still in power, or if he is not.

If he remains, argues Robert Kagan, a senior associate with the Carnegie Endowment for International Peace, Mr. Saddam could emerge greatly strengthened, putting pressure on the United States to take ever harsher action. And if he does not, the United States would have to combat a large force to support any new government.

As Precaution, U.S. Shuts 40 Embassies Across Africa

By Robert Pear
New York Times Service

WASHINGTON — The United States has closed 40 embassies in Africa for at least two days to protect employees against possible terrorist reprisals for the American air strikes on Iraq, administration officials said.

Secretary of State Madeleine Albright said Thursday that the administration was taking the highly unusual step of closing so many embassies "because we are concerned about general threats and the heightened situation."

State Department officials said that two of the largest and busiest American embassies, in South Africa and Nigeria, remained open.

The embassies in Kenya and Tanzania, which were hit by terrorist bombs in August, were among those closed Thursday. Administration officials said the 40 embassies were closed, in part, to avoid a repetition of such attacks, which killed more than 250 people and wounded more than 1,000.

Other embassies closed included those in Angola, Ethiopia, Ghana, Kenya, Liberia, Mozambique, Namibia, Senegal, Uganda, Zambia and Zimbabwe.

The scope of the closings, even on a temporary basis, was believed to be unprecedented, and several State Department officials expressed doubts about whether it was necessary to close so many embassies.

But a spokeswoman for the department said: "This action was carefully considered. A number of African posts have received threats in recent weeks, and our caution is fully justified in the current circumstances."

At the U.S. Embassy in Abidjan, Ivory Coast, a spokeswoman said, "We haven't received any specific threat, but it is better to be on guard and take precautions instead of having regrets later."

As a protective measure, the State Department also issued a worldwide warning to Americans abroad to be aware of possible retaliatory action and to take precautions.

Tighter Security in U.S.

Federal buildings in Washington have been placed on a maximum state of alert and authorities have tightened security at airports around the country on Thursday, bracing for any potential retaliation for U.S. and British air raids against Iraq, Reuters reported.

The General Services Administration, which oversees federal buildings, said security had been raised to a maximum state of alert from a heightened security alert.

Security was visibly tighter up on Capitol Hill, where regular workers noticed more guards on duty and inspections of car trunks taking place in House and Senate parking lots.

Security in the United States was last tightened a notch in August when America launched missile attacks at alleged terrorist sites in Afghanistan and Sudan.



Riot police deployed outside the mosque at University of Jordan in Amman, where hundreds of students attended a pro-Iraq rally after Friday prayers. The demonstrators called on Baghdad not to bow to U.S. "aggression."

Travel Industry Fears Financial Fallout

By Edwin McDowell
New York Times Service

NEW YORK — Even if the U.S. and British bombing of Iraq ends in a matter of days, the uncertainty it has created could linger and hurt airlines, hotels and others in the travel industry at the height of the holidays.

Travel industry spokespeople say that a terrorist reprisal against a target in the West or an Iraqi strike against Israel would presumably hurt much international travel, as it did shortly before, during and after the Gulf War of 1991.

On Thursday, United Airlines canceled its daily round-trip flight between London and New Delhi, citing the Iraq situation. It planned to resume regular London-New Delhi service Sunday, but via Dubai.

"So far this is only a skirmish, so not many people are likely to postpone their flights," said Michael Boulton, an inter-

national air travel specialist for Rosenbluth International, a travel-management company. "But it depends on the degree of escalation. If it becomes a full-scale conflict like the Gulf War, or at the first snafu of terrorist activity, lots of people will cancel or postpone."

Executives at airlines and airports in the United States, while reluctant to discuss the subject publicly, acknowledge that they began tightening security when the missile attacks began this past week. But security has already been at a high level since late August, they added, when the United States attacked targets in Sudan and Afghanistan with cruise missiles.

Thursday, for example, dogs trained to detect explosives patrolled John F. Kennedy International Airport in New York and O'Hare International Airport in Chicago. The police at Kennedy towed illegally parked cars.

Travel agents, however, said they had

not received any cancellations. "I think people are so used to hearing about the possibility of terrorism, especially from Iraq, they no longer panic," said Richard Earls, president of the Summit Travel Group in Winston-Salem, North Carolina. But if the conflict escalates, he said, "I think you'll see people who had planned to visit overseas turning to domestic destinations and the Caribbean."

"Many travel agents warned clients to get to the airport early and to carry identification," The National Business Travel Association reiterated a warning that members headed for destinations considered dangerous or chancy should travel in pairs, vary their routines and notify the local embassy or consulate of their presence.

The number of passengers on U.S. airlines fell 44 percent on trans-Atlantic routes in 1991, according to the Air Transport Association, and 20 percent on Pacific routes. As a result of the slowdown, airlines trimmed flights and flew smaller planes, 40,000 U.S. airline employees were laid off and several airlines petitioned for bankruptcy. Two U.S. carriers, Eastern and Pan American, financially weak even before the Gulf War, were so damaged that they sold their international routes in a desperate but ultimately futile effort to stay afloat.

French Leaders Struggle Amid an Anti-U.S. Mood

By Craig R. Whitney
New York Times Service

PARIS — French leaders bit their tongues again Friday and tried to restrain growing indignation over continued British and American bombing raids against Iraq.

Publicly, French officials said that President Jacques Chirac called Prime Minister Tony Blair in London to discuss a new basis for United Nations arms inspections in Iraq, whose refusal to satisfy demands by UN arms inspectors set off the bombing early Thursday.

Mr. Chirac also called President Bill Clinton on Thursday night "to try to find a way out of the crisis," as the French president put it to reporters outside the Elysee Palace.

Privately, Mr. Chirac was said to be seething at his American and British colleagues for tossing diplomacy aside and sending in their cruise missiles and bombers.

Prime Minister Lionel Jospin, a Socialist, expressed himself more openly during a visit to Canada, saying the bombing raids were perhaps "inevitable" but not "necessary."

Only two weeks ago, Mr. Chirac and Mr. Blair stood side-by-side in the Breton port of Saint-Malo and made a historic declaration in support of a European defense capability to match the common European currency that will come into being next week from now.

On Friday, French newspapers said the idea of a common European policy on Iraq was clearly bankrupt. "London follows Washington, as usual," wrote the center-right daily *Le Figaro* noted that except for France, most of Europe had lined up with the United States.

"You see today how important it would be to have a common European foreign policy," Foreign Minister Joschka Fischer of Germany said in Copenhagen, according to a Reuters report. "If we had developed a common European foreign policy, I think today we would have very much better feelings in Europe in this very difficult situation."

While Chancellor Gerhard Schröder said again Friday that Germany held Iraq solely responsible for the resort to force, Mr. Fischer said, "We regret the situation that now force is used, and we hope that politics will come back again."

and find solutions to fulfill the resolution of the Security Council."

In France, Liberation's main news article scolded the chief UN arms inspector, Richard Butler, of distorting inspection findings so as to give President Clinton an excuse to begin the bombing, and an editorial in France's most influential newspaper, *Le Monde*, called for Mr. Butler's resignation.

But it was not only Mr. Butler whose credibility with the French was clearly at an ebb.

President Clinton's face was greeted with boos and hisses when it was projected on a screen at the Theatre des Champs-Elysees on Thursday night to introduce a concert capping a year of Gershwin centennial celebrations, with the Orchestre National de France conducted by Seiji Ozawa.

"We're here for the music," Judith Pizar, an American living in Paris who co-organized the event, appealed to the audience.

Well-dressed people of a certain age in the expensive seats gestured and shouted at jeering younger ones high in the upper balconies.

When Mr. Clinton, in a taped welcome to the concert that mentioned Mrs. Pizar, began a sentence with "Hillary and I," there was widespread snickering and laughter.

French officials ascribed derision of President Clinton to the unpopularity of the bombing in Iraq, but his troubles over the Monica Lewinsky affair appear to have eroded respect for him here.

While Mr. Blair went out of his way Thursday in the House of Commons to say that Mr. Clinton was still his friend, Mr. Chirac did not follow suit.

Many French newspapers continued to suggest that the main reason Mr. Clinton had unleashed the bombers was to try to fend off impeachment by the House of Representatives, even though it postponed debate on the issue only a day. The debate began instead Friday.

Leaders of the three leftist parties supporting Mr. Jospin's governing coalition called for a demonstration Saturday against the bombing at the Trocadero Palace, where the universal declaration on human rights was proclaimed 50 years ago.

Meanwhile, the Dutch police weighed in with truncheons against several hundred Iraqi demonstrators outside the U.S. Embassy in The Hague on Friday afternoon.

TRAVEL UPDATE

Civilian Pilots Change Flight Paths Over Gulf

MANAMA, Bahrain (AFP) — Civilian airlines have altered their flight paths over most of the Gulf to give a wide berth to warplanes on combat sorties against Iraq, a pilot said Friday.

"Airline pilots on private flights using the corridors over the northern and central Gulf have received instructions to modify their paths to avoid the zone of operations," said Fakhri Tuweik, a helicopter pilot for an oil company.

Air Controllers' Strike Disrupts Greek Flights

ATHENS (Reuters) — A six-hour work action by Greek air-traffic controllers disrupted many flights in and out of Greece on Friday, and more of the same was expected Saturday.

French Airport Strike

PARIS (AFP) — A one-day strike Friday by fuel crews at 10 of France's busiest airports caused major delays and forced the cancellation of numerous flights, airport authorities said.

The Paris, Bordeaux, Marseilles, Lyon, Lille, Nice, Montpellier, Mulhouse and Toulouse airports were affected. U.S. and Asian airlines said their long-distance flights had not been disrupted.

After five years of research and testing on commuters, Paris-area transportation officials unveiled a scent called "Madeleine," 1.5 tons of which they said would be added monthly to cleaning products to introduce notes of "countryside, woods, flowers and fruit" in Metro stations. (Reuters)

WEATHER

Europe				Forecast for Sunday through Tuesday, as provided by AccuWeather.				Asia			
Country	High	Low	Wind	Country	High	Low	Wind	Country	High	Low	Wind
Algeria	64	48	W	Belgium	54	42	W	China	64	48	W
Austria	54	38	W	Bulgaria	54	42	W	India	84	68	W
Belgium	54	42	W	Czech Rep.	54	42	W	Indonesia	84	68	W
Canada	54	42	W	Denmark	54	42	W	Japan	64	48	W
France	54	42	W	Finland	54	42	W	Korea	64	48	W
Germany	54	42	W	Greece	54	42	W	Malaysia	84	68	W
Italy	54	42	W	Hungary	54	42	W	Philippines	84	68	W
Japan	64	48	W	Ireland	54	42	W	Singapore	84	68	W
Korea	64	48	W	Italy	54	42	W	Taiwan	84	68	W
Malaysia	84	68	W	Latvia	54	42	W	Thailand	84	68	W
Philippines	84	68	W	Lithuania	54	42	W	Vietnam	84	68	W
Singapore	84	68	W	Netherlands	54	42	W				
Taiwan	84	68	W	Norway	54	42	W				
Thailand	84	68	W	Poland	54	42	W				
Vietnam	84	68	W	Portugal	54	42	W				
				Romania	54	42	W				
				Russia	54	42	W				
				Spain	54	42	W				
				Sweden	54	42	W				
				Switzerland	54	42	W				
				Turkey	54	42	W				
				Ukraine	54	42	W				
				USA	54	42	W				
				UK	54	42	W				

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HONG KONG	1.50	0.50	66%
ITALY	1.50	0.50	66%
JAPAN	1.50	0.50	66%
NETHERLANDS	1.50	0.50	66%
NORWAY	1.50	0.50	66%
SPAIN	1.50	0.50	66%
SWEDEN	1.50	0.50	66%
SWITZERLAND	1.50	0.50	66%
USA	1.50	0.50	66%

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Impeachment Showdown/ Dilemmas for Clinton's Foes

Speaker-Elect Keeps His Party's Support After Baring His Adultery

By Francis X. Clines
and Katharine Q. Seelye
New York Times Service

WASHINGTON — Speaker-elect Bob Livingston has told his fellow Republicans that he has carried on adulterous affairs in the past, but he stopped just short of offering to resign his House leadership.

"My fate is in your hands," he said Thursday, according to Republican members of the House of Representatives, who said the party conference rallied to his defense, giving him a standing ovation.

The stunning admission was made just hours after Mr. Livingston, 55, led Republicans in a decision to press ahead Friday morning with the impeachment charges against President Bill Clinton for perjury and other alleged wrongdoing in covering up his affair with Monica Lewinsky.

"It has suddenly come to my attention that there are individuals working together with the media who are investigating my personal background in an effort to find indiscretions which may be exploitable against me and my party on the eve of the upcoming historic vote on impeachment," Mr. Livingston said in a statement. It was issued after he appeared before a shocked House Republican conference to make his disclosure as it began to surface in news reports.

The Republicans later drew distinctions between the speaker-elect's revelations and the Clinton scandal.

Democrats offered no immediate comment. All along, most Democrats have decried the investigation of the president as a partisan and unfair rumormongering through his sex life.

Mr. Livingston's reluctant admission underlined growing anxieties haunting the impeachment showdown, with members of Congress far from certain that the private lives of additional lawmakers will not become subject to disclosure.

"To those who are investigating me or others of my colleagues, please understand that I will not be intimidated by these efforts," Mr. Livingston said. "These efforts will not deter me from performing my sworn duty under the Constitution as a member of Congress."

Saying that he had sought spiritual counseling and had received the forgiveness of his family, Mr. Livingston noted that he had several times told reporters during his campaign to become speaker that "I was running for speaker, not sainthood." He added, "There was a reason for those words."

"During my 33-year marriage to my wife, Bonnie, I have on occasion strayed from my marriage, and doing so nearly cost me my marriage and family," Mr. Livingston said in his brief prepared statement. But he attempted to draw a contrast with the allegations against the president, asserting: "I want to assure everyone that these indiscretions were not with employees on my staff and I have never been asked to testify under oath about them."

The disclosure of the speaker-elect's marital infidelities, disclosed in Roll Call, a Capitol Hill newspaper, sent a new jolt of uncertainty among lawmakers before the momentous debate over the president's admitted misbehavior in office and whether he should be impeached by the House and tried by the Senate.

In recent months, Representative Henry Hyde, Republican of Illinois and chairman of the House Judiciary Committee — the man who is bringing the impeachment charges against the president — was revealed to have had an extramarital affair in his distant past. And Representative Dan Burton, Republican of Indiana and a frequent critic of Mr. Clinton, acknowledged that he had a child out of wedlock years ago and said he was compelled to disclose this because Vanity Fair magazine was investigating his background.

On Thursday night, Republicans voiced suspicions that Democratic defenders of the president had instigated media investigations in an effort to embarrass Mr. Clinton's principal accusers.

But no proof was offered. A White House spokesman categorically denied that administration officials were using the media for retaliatory rumor-mongering.

Mr. Livingston left the conference surrounded by Capitol police, not taking questions from reporters. His leadership aides immediately rallied in support.

"Some who would rather not struggle with this constitutional question continue to try to twist the debate into an unseemly investigation of private lives," said Representative Dick Armye, the Republican majority leader.

In its report on the Internet on Thursday night, Roll Call did not reveal its source but made an oblique reference to Hustler, the sex magazine. Larry Flint, publisher of Hustler, earlier this year advertised an offer of a \$1 million bounty for the disclosure of members of Congress who are guilty of sexual indiscretions.

Allan MacDowell, executive editor of

Hustler, confirmed that the magazine was working on the article but said "no information came from the White House" and added that one source was "someone involved in Republican politics."

He said the magazine was working on articles about other lawmakers to expose "Republican hypocrisy." Speaking of Mr. Livingston, Mr. MacDowell said, "He is not the only one with a gun to his head."

Republicans expressed sympathy for the speaker-elect.

"It breaks your heart because we're all subject to human frailties," said Representative Asa Hutchinson, Republican of Arkansas, as he left the conference.

"This is not a comfortable circumstance for anyone," he added, insisting that the president and the speaker-elect presented two separate issues.

Other Republicans seemed even more dedicated to the impeachment effort.

Representative Bob Franks, Republican of New Jersey, said the indiscretions were "extraordinarily different."

"One is between Speaker Livingston and his wife," Mr. Franks said. "The other involves felonies committed by the president of the United States."

Ignoring Danger, Republicans Press On

While Some in Party Worry About a Backlash, Others Want Quick Action

By Richard L. Berke
New York Times Service

WASHINGTON — The polls show Americans do not want President Bill Clinton impeached. And they show that the public is squarely behind the president's bombing of Iraq.

Nonetheless, Republican leaders are not only questioning Mr. Clinton's motives in attacking Iraq, but rejected pleas by Democrats to put off the House debate on impeachment.

By pressing forward, even brazenly, against the president, Republicans are inviting attacks that they are so impatient to exile Mr. Clinton that they are rushing headlessly forward to conduct a public vote on an unseemly, scandal while American troops are in harm's way.

Some Republicans worry that their party is increasingly perceived as motivated by a ferocious partisanship and a desire to cripple Mr. Clinton.

In their zealous pursuit of Bill Clinton are they doing long-term damage to their political interests?

Many Democrats hope so and some Republicans fear they are right.

But others in the Republican Party insist they must press forward at any cost. Not only do they believe, fervently, that Mr. Clinton should be impeached, but they are also determined to act quickly before he somehow finds a way out.

Representative Todd Tiahrt of Kansas said that when his party's caucus met Wednesday night, members expressed fears that a delay would give the president time to find a way out.

Representative Bob Barr of Georgia, who backed impeachment before anybody heard of Monica Lewinsky, put it this way:

"The administration will try to pull anything out of a hat. Whether it's a rabbit or a red herring remains to be seen."

Still others are confident that by the

next elections, in 2000, the events of this week will be long forgotten.

Republicans said they had grown so distrustful of Mr. Clinton that they cannot help but question his motives. That is why many Republicans say they were unapologetic about their accusations that Mr. Clinton's order to bomb Iraq was an attempt to put off the impeachment debate, which originally had been scheduled to begin Thursday. It was rescheduled for Friday.

Whitefield Ayres, a Republican pollster, said, "Very few Republicans are willing to give this president the benefit of the doubt."

Mr. Ayres said it was Mr. Clinton who appears suspect because the attack on Iraq "deepens the cynicism among people who already think this guy will say anything or do anything to retain power."

Representative Michael Oxley of Ohio said of Mr. Clinton: "He's manipulated our military and his advisers for his own preservation. You'd have to be basically retarded not to think there was some manipulating going on."

Many Republicans argue that Mr. Clinton has lost such credibility and is so mistrusted that most Americans would not blame any Republican for questioning his motives.

Still, some in the party warned privately that the party's lawmakers should show more restraint because they risk being viewed as obsessed with impeachment at any cost. The admission Thursday night by Representative Bob Livingston of Louisiana, the incoming House speaker, that he "on occasion strayed from my marriage" could only further weaken the Republicans' efforts to undermine Mr. Clinton.

Already, polls show that the Republican Party's image has suffered in recent weeks; the long-term risk for the party would be if it was unable to shed an image of naked partisanship before the 2000 elections.

While many Republicans questioned Mr. Clinton's motives in bombing Iraq, many in the party said they were particularly stunned that Senator Trent Lott of Mississippi, the majority leader, asserted on Wednesday that "both the timing and the policy are subject to question."

Lawmakers have often denounced a president's military operations, but they usually do not do so at the moment of attack.

More commonly, senior members of Congress in both parties rally behind the president to display a united front and out of deference to the fact that the administration has more access to confidential information.

For the time being, at least, the comments by Mr. Lott, and the Republican push to open the impeachment debate, gave Democrats grist for trying to shift the discourse to the insensitivity of Republicans while American troops are engaged.

Only a few days ago, the White House was struggling in an uphill battle to save Mr. Clinton from being impeached. While that threat seems diminished, Republicans were on the defensive Thursday. They found themselves responding to attacks by Democrats that they were so single-mindedly out to get the president that they dared to question his motives — and refused to postpone the impeachment vote for several days.

Even Mr. Lott backed off from his statement on Wednesday night, and insisted Thursday that he himself had not questioned the president's motivations but that he was responding to the concerns of others.

Representative Herbert Bateman of Virginia reminded fellow Republicans that they might regret the political fallout of rushed action.

"We should not be perceived as doing things too precipitously by going ahead as if none of this had happened," he said.

POLITICAL NOTES

Black Lawmakers Oppose Bombing

WASHINGTON — Several members of the Congressional Black Caucus have announced their opposition to the attack on Iraq and denounced President Bill Clinton for making the decision without consulting Congress or working to build a consensus in the United Nations first.

The members of the caucus have been among Mr. Clinton's most loyal supporters throughout the Monica Lewinsky scandal this year, and several members said they would continue to support the president in his impeachment fight. But some of those members, upset by Mr. Clinton's decision to take military action, said even though they did not question the president's motivation, it might be difficult to convince others, it was not politically influenced.

"We have to have the U.S. giving leadership in the UN and not deciding unilaterally on whether we should strike an offensive on," said Representative John Conyers Jr., Democrat of Michigan.

Representative Jesse Jackson Jr., Democrat of Illinois, said in a statement: "The justification of sustainability, the loss of innocent lives and the question of proportionality remain a great concern of mine. President Bill Clinton will have to have the most comprehensive moral, rational and national security defense of his military action against Iraq in order to sustain his presidency." (WP)

Gore Carries Ball For the President

WASHINGTON — With bombs falling on Iraq and an impeachment vote nearing in the House, Vice President Al Gore has taken an unusually



OLYMPIC DANCING — President and Mrs. Clinton, joining Special Olympics athletes in a dance during ceremonies in Washington honoring the events that group mentally retarded participants.

visible role in defending President Clinton and the military actions that have spurred deep skepticism from many Republicans.

Soon after Mr. Clinton's address to the American public Wednesday night, Mr. Gore appeared on five TV networks. Thursday night, aides said, he was preparing to appear on several regional networks as well as British TV.

In addition, as one of Mr. Clinton's senior advisers on matters of national security, the vice president has spent a considerable part of the last few days informing other senior administration officials, as well as lawmakers, former Presidents Carter, Ford and Bush and foreign leaders of the plans to attack.

As one example, Mr. Gore was directed by the president to convey the U.S. position to Prime Minister Yevgeni Primakov of Russia. Aides to Mr. Gore said their 20-minute conversation Thursday was the highest level of contact between the two countries. (NYT)

Quote/Unquote

Edward Collins of Daiwa Securities, on the prospect of a presidential impeachment: "It's probably sacrilegious to say it, but I don't think who ever is in the White House has as much to do with what goes on in the business world or the market as the fact that right now the Federal Reserve is being extremely friendly." (NYT)

Away From Politics

• A federal and state investigation has led to criminal charges against nearly 900 telemarketers. Attorney General Janet Reno announced. Taped conversations by FBI agents posing as customers revealed the scams. (AP)

• Teenagers who have one baby are much less likely to have a second than they were in the early 1990s, the federal government reported. (WP)

• A Maryland teenager whose three quadruple transplants made him a focus of debate is back home in what his family hopes is the end of a six-year ordeal. Daniel Camal, 14, was allowed to come home Dec. 11 after a biopsy showed no signs that his body was rejecting the stomach, liver, pancreas and small intestine he received in June. Some ethicists questioned the wisdom of allotting 12 organs to a single patient. (AP)

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Jesus went to Jerusalem (III)

"And he said: 'You blind leaders, you strain out a small fly and swallow a camel.'

Woe to you scribes and pharisees, hypocrites, for you clean the outside of your cups while inside there is nothing but greed and selfishness. . .

I send prophets and wise people and experts in the law of Moses to you. But you will kill them and some of them you will scourge in your synagogues.

O Jerusalem, Jerusalem who kills the prophets and stones those who are sent to her! How often I wanted to gather your children. . . "

MATTHEW XXIII

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Under Attack / The Role of the Butler Report

UN Weapons Inspector Denies Serving U.S. War Aims

By Barton Gellman
Washington Post Service

WASHINGTON — At about 2 P.M. Tuesday, as the chief United Nations arms inspector, Richard Butler, labored with a fountain pen over his report on Iraq, the White House chief of staff, John Podesta, was informing congressional leaders that U.S. forces would launch an attack on Iraq the following day.

Almost four more hours would pass before Mr. Butler finished drafting his finding of Iraqi obstruction and walked the first copy up to the 38th floor of UN headquarters in New York for Secretary-General Kofi Annan. Yet, aboard Air Force One, en route back from the Middle East, President Bill Clinton had already ordered the bombardment of Iraq that would be dubbed Operation Desert Fox.

Clinton administration officials acknowledged that they had advance knowledge of the language Mr. Butler would use and sought to influence it, as one official said, "at the margins."

Because Mr. Butler's report is described as the trigger for the American and British air campaign, this sequence of events has brought fierce attack on the chief of the UN Special Commission, or Unscm. The Russian ambassador to

the UN, Sergei Lavrov, backed by China and some of Mr. Annan's senior advisers, has leveled accusations that Mr. Butler drafted his stark conclusions to serve Washington's war aims.

[Iraq's deputy prime minister, Tariq Aziz, accused Mr. Butler on Friday of collaborating with the United States in his finding to justify what Mr. Aziz called "the aggression" by the United States and Britain against Iraq. Reuters reported from Baghdad.]

"There was coordination by the U.S. government and Butler about the content of the report and the timing of the report," he said, citing U.S. news accounts of contacts between Mr. Butler and U.S. officials before his finding was issued formally.

[He called Mr. Butler a "pawn in the hands of the United States" and said a "Zionist clique" around Mr. Clinton had orchestrated the attacks on Iraq.]

Mr. Butler, an Australian diplomat and an expert on arms control who has served as his country's delegate to the United Nations, came out swinging Thursday against such charges.

"I want to say it as simply and as plainly as I can," he said in New York. "That report was based on the experts of Unscm. It danced to no one's tune. It was not written for anyone's purposes, including, as some of you have suggested, for the purposes of the United States."

Mr. Butler said "the simple conclusion that Iraq did not keep its promise of full cooperation" is "honest, factual and objective."

A high-ranking U.S. official, speaking on condition of anonymity, used unusually blunt language to criticize "the source of the accusation here, which is the Russians, who have been, unfortunately, apologists for Saddam Hussein for some time." Mr. Butler, the official said, informed the U.S. delegate to the UN, Peter Burchard, over the weekend that "he had concluded there wasn't cooperation and that Unscm couldn't do its job." He added, "There's nothing mysterious about it."

Among the circumstances cited by those who suspect Mr. Butler of coordinating with Washington on a rationale for war, three stand out:

• Mr. Butler made four visits to the U.S. mission to the United Nations on Monday, the day before finishing his report.

• Administration officials acknowledged they had advance knowledge of the language he would use.

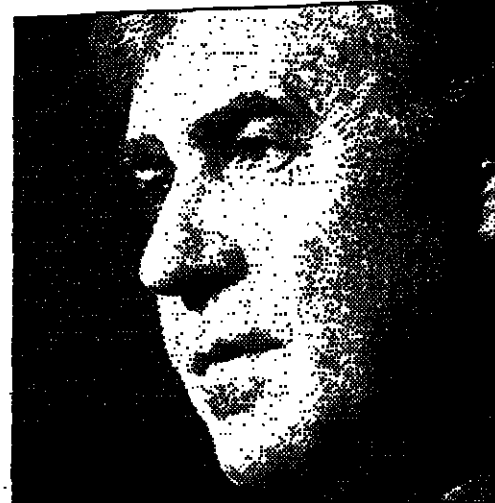
• Mr. Butler ordered his inspectors to evacuate Baghdad, in anticipation of a military attack, on Tuesday night — at a time when most members

of the Security Council had yet to receive his report.

Mr. Lavrov and other diplomats also asserted that Mr. Butler gave far more equivocal progress reports to them, in the days leading up to his written report, than his final conclusion that he was "not able to conduct the substantive disarmament work" because of the "absence of full cooperation by Iraq." One New York-based diplomat said, "What we were told by Butler for weeks was yes, we've hit some roadblocks, but the inspections are going on."

Ewen Buchanan, the Special Commission's spokesman, said those who "accuse him of being rosy then and gloomy now" overlook "the catalogue of problems that built up over the period." As early as Nov. 19 — four days after Mr. Clinton called off an attack on Iraq — the Baghdad government was telling Mr. Butler that documents known to be in Iraqi archives did not exist. That same week, according to two administration officials, U.S. intelligence intercepted orders by the Baghdad government to its military units to destroy the documents Mr. Butler had requested.

A senior U.S. official, acknowledging that American interaction with Mr. Butler was a natural subject of interest because "Butler is the trigger" for war, insisted that Washington did



Mr. Butler, whom Iraq accused of being a "pawn in the hands of the United States."

nothing to toughen the Special Commission's conclusions.

"I would tell you in the strongest possible terms that we reacted to Butler's conclusions and did not shape his conclusions," the official said. "He did share with us his preliminary conclusions. We reacted to them and asked him questions, and we reacted to his final public report with a decision to use force."

Saudis Limit U.S. Aircraft Hitting Iraq

By Douglas Jehl
New York Times Service

MANAMA, Bahrain — More than half of the U.S. strike aircraft in the Gulf region have been kept out of the attacks on Iraq because of objections from Saudi Arabia, Western military officials said Friday.

Of the 100 fighters and bombers at bases in the region, only those in Kuwait and Oman had joined in the air campaign by Friday evening, the officials said.

The bulk of the force, about 60 F-16 and F-15 fighters, has remained mostly on the ground in Saudi Arabia, which has repeatedly refused to permit attacks against Iraq to be launched from its soil.

"We have not asked the Saudis for permission to use aircraft from their bases," Captain Michael Shavers, a U.S. Air Force spokesman, said by phone from Riyadh.

The only reason the question was not asked, other Western military officials said, was that the answer would have been "No."

The episode has underscored the limitations on U.S. military forces in the Gulf region, where anger over the American-led attack was vented by many newspapers Friday.

In the United Arab Emirates, the daily *Al Khaleef* called the air strikes an act of "blatant aggression" and urged others to follow the emirates' example in demanding an immediate end to the attack.

"Letting it pass without a stand means that the Arabs have become a whipping boy for the American empire," the newspaper said.

The U.S. aircraft that have joined in the attack include four B-1 bombers based in Oman — the first time those advanced aircraft have joined in a combat operation.

But the Saudi opposition to including Saudi-based aircraft in the attacks has forced the United States to rely heavily on what in most cases are less capable aircraft on a navy carrier in the Gulf to back up what has been primarily a cruise missile attack.

Over the last 13 months, U.S. officials, including Secretary of State Madeleine Albright and Defense Secretary William Cohen, have made repeated visits to Saudi Arabia and other Gulf countries in hopes of winning support for combat operations against Iraq. Those efforts resulted in the endorsement by all six Gulf countries of a declaration last month that Iraq alone would bear the blame for the consequences of its refusal to cooperate with United Nations weapons inspectors.

But Saudi Arabia, the main base of U.S. combat operations against Iraq during the Gulf War of 1991, has been so clear in its opposition to permitting Saudi-based planes to take part in further attacks on Iraq that the Americans stopped asking permission months ago.

And as recently as last month, the Saudi defense minister, Prince Sultan bin Abdulaziz, reiterated the Saudi view by stating publicly that his government would not permit any attacks against Iraq to be launched from Saudi soil.

U.S. officials have sought to gloss over the dispute, saying they are confident that Saudi Arabia, a key ally in the region, would provide any support needed. In the current operation, Western military officials said, Saudi Arabia has allowed KC-130 refueling aircraft based on its soil to service other strike aircraft on their way to and from targets in Iraq.

Saudi-based American fighter planes have also continued to fly noncombat missions, the officials said.

Speaking on condition of anonymity, they said they had no doubt that the United States would have preferred to use the Saudi-based planes in the new bombing. "What is the purpose of having all that firepower there if it can't be used?" a Western military official asked.

Even though American officers have put heavy dependence on cruise missiles, on the first night of the attack, F-14 and F-18 fighter aircraft were launched from the carrier *Enterprise* at the rate of one a minute, officers aboard the vessel said.

The fact that those aircraft, along with fighters from Kuwait and the B-1 bombers from Oman, have been included in the operation has illustrated the importance of ground-based aircraft and their precision munitions in the raids against Baghdad.



A crew member loading laser-guided bombs Friday on the *Enterprise*.

IRAQ: Resistance Light as 3d Wave Begins

Continued from Page 1

bring about an end to his rule," Mr. Blair said. "There is no doubt about that whatever."

Confirming that British Tornado bombers based in Kuwait were in action for the second successive night, Mr. Blair said that the United States and Britain were on course to achieve their military objectives.

Anti-American protests, meanwhile, erupted Friday in a half-dozen Arab capitals, with many demonstrators asserting the attacks were President Clinton's way of squirming out of the consequences of his affair with Monica Lewinsky.

In an echo of the Gulf War, Pentagon officials showed aircraft videotape of laser-guided bombs slamming into an array of targets, including radar stations, a missile storage facility and a missile production plant.

As the third wave of strikes continued Friday, Mr. Cohen said that there had been no U.S. or British casualties.

Rear Admiral Thomas Wilson, a senior official on the Pentagon's Joint Staff, said that Iraq had yet to fire any surface-to-air missiles at the attacking aircraft. One reason is Iraqi reluctance to expose hard-to-replace military equipment to attack. Another is the destruction of air-defense radar systems during the first phases of the strike.

"The southern Iraq air defense system has been degraded," Admiral Wilson said. "It has not been completely destroyed."

U.S. aircraft drop leaflets over Iraqi forces in southern Iraq that implored them to stay in their bases and not

threaten neighboring Kuwait or Saudi Arabia. The messages in Arabic said the forces would be attacked if they mobilized but spared if they stayed put, General Shelton said.

In a reflection of the difficulty of precision air strikes even against light resistance, Admiral Wilson showed charts indicating that only a handful of targets were judged to have been destroyed, with some misses and some moderate damage.

For example, of 27 Iraqi surface-to-air missile facilities attacked, 8 suffered no damage, 2 had light to moderate damage, 2 had severe damage and 1 was destroyed. Damage to the remaining 14 was still being assessed using reconnaissance photographs.

Of 18 command and control facilities, 5 were destroyed, 5 were severely damaged, 2 sustained no damage, 2 had moderate damage and 4 were being assessed.

B-1B bombers, a weapons system that dates from the 1970s, were used for the first time in combat missions, dropping gravity bombs on a variety of targets.

Pentagon officials said that on the first night of raids on Iraq, U.S. missiles demolished military intelligence headquarters in Baghdad and destroyed four barracks of the elite troops responsible for protecting Mr. Saddam and his weapons programs.

Damage at the sites, the officials said, would undermine Iraq's ability to conceal or expand its arsenal of weapons of mass destruction. The attacks also advanced the parallel, undeclared intent of U.S. planners to strike at the foundations of Mr. Saddam's power. (AP, Reuters, WP)

Russia Recalls Envoys to U.S. and U.K.

Strikes on Iraq Could Damage Relations With NATO, Moscow Warns

MOSCOW — Russia recalled its ambassadors to Washington and London for consultations on Friday to protest the U.S. and British air strikes on Iraq, and it vowed to rethink its security strategy, including relations with NATO.

Foreign Minister Igor Ivanov also told Secretary of State Madeleine Albright that further air strikes could seriously harm U.S.-Russian relations.

But the Kremlin, its hands tied by a deep economic crisis, said it would not sever relations with its Western partners and that it was vital to avoid a full-scale confrontation.

"Things must be called by their names: A military strike is a military strike," Dmitri Yakushev, President Boris Yeltsin's press secretary, said at a news conference. "This is impermissible. They must be stopped."

But he added: "There can be no talk of a break in relations with Britain and the United States. We must not let things slide into confrontation."

A Foreign Ministry press release quoted Mr. Ivanov as telling Mrs. Albright in a telephone conversation that "if this action is not stopped, Russian-American relations can seriously suffer."

He urged the United States to abandon the use of force in Iraq and to return to the search for a political solution in the United Nations Security Council.

"Everything must be done to rule out a setback in our relations," Mr. Ivanov said. The press release added, "Mrs. Albright fully agreed with this point of view."

Russia's withdrawal of its ambassadors, Yuli Vorontsov from Washington and Yuri Fokin from London, was one of Moscow's angriest ripostes since the end of the Cold War.

Interfax news agency said it was the first time Moscow had recalled an ambassador to the United States since World War II and the first time it had withdrawn its envoy to Britain since 1971, when London expelled 105 Soviet diplomats.

Russia's protest stems, in part, from its long-standing ties to Iraq. Prime Minister Yevgeni Primakov, a former foreign minister and senior intelligence official, has maintained close relations with Baghdad since Soviet days.

London, unmoved by the Russian protest, made it clear Friday that any diplomatic moves in the crisis would have to wait until the military campaign was over.

Foreign Secretary Robin Cook spoke by telephone with Mr. Ivanov. "They agreed the U.K. and Russia should work together in the postmilitary phase" of the crisis, a British spokesman said. He added that the tone was "friendly throughout."

Russia's Communist-led Parliament registered its dissent by shelving plans to ratify the START-2 treaty slashing strategic nuclear arms. Winning approval of the treaty from Russia has been a major objective of the United States and one that had seemed tantalizingly close. A vote on the treaty, which was widely expected to be approved, was scheduled for next Friday.

The Parliament also overwhelmingly adopted a resolution urging Mr. Yeltsin to abandon UN sanctions against Iraq unilaterally and to take immediate steps to resume full economic and military cooperation with Baghdad.

If earlier passed a resolution calling the U.S. and Britain "international terrorists."

Duma resolutions are not binding on the president or government and are often ignored.

Russian politicians are far once united in opposition to the attacks and are fur-

ious that the United States bypassed the UN Security Council, giving Russia no chance to use its veto as one of the five permanent members.

But Moscow's ability to respond is limited. Its role on the world stage has declined since Soviet days and it is dependent on the International Monetary Fund, in which Washington is influential, for loans to help it through its economic crisis.

Russia's military called into question its embryonic relations with the North Atlantic Treaty Organization on Friday and said the Iraq crisis was forcing it into

an overall security rethinking that could create a new Cold War-style divide.

"The situation that has arisen demands careful analysis and a correction to our approaches to the problems of international security," Defense Minister Igor Sergeev said in a statement.

His international cooperation chief, Colonel General Leonid Ivashov, said, "If Russia's opinion continues to be ignored, Moscow will be forced to change its military-political priorities and may become the leader of that part of world society which disagrees with dictat." (Reuters, NYT)

Branson's Balloon on Course

MARRAKESH, Morocco — The British entrepreneur Richard Branson and his former rival, Steve Fossett, an American, were on course Friday in their attempt to be the first to fly nonstop around the world in a hot-air balloon.

Their 61-meter-high (200-foot-high) balloon took off from southern Morocco.

They planned to ride wind currents eastward over northern Africa on a route that will take the pair, with a Swede, Per Lindstrand, more than 20 countries, including Algeria, Libya, Saudi Arabia, India and Japan.

About seven hours after lift-off the ICO Global Challenge was cruising at 8,900 meters over the Atlas Mountains, according to Jackie McQuillan, a spokesman for ICO Global, a mobile phone company supporting the trip.

"They are very happy with how it's going so far, and nothing has happened to make them think it won't

be a successful flight," she said.

The balloon was expected to cross into eastern Algeria before dawn Saturday, she added.

Initial concerns that the balloon might have to pass over northern Iraq have abated. Current weather conditions would carry the balloon between 80 and 160 kilometers (50 and 100 miles) north of Iraqi airspace and the missiles and planes moving through it.

"This flight around the world would have taken nine and a half days, but for the Iraqi problem," Mr. Branson said. "Now, we will be happy to complete the voyage in 10 to 20 days."

Mr. Branson, 48, and Mr. Fossett, 54, have battled each other in past attempts for the record. Seven more crews across the globe are in varying stages of preparation to challenge them but only four are ready for an attempt this winter. (Reuters, AP)

Fighting Flares in Brazzaville

Refugees Flee Army-Militia Clash in Suburb of Capital

BRAZZAVILLE, Congo Republic — Panic gripped the center of Brazzaville, capital of the Congo Republic, for a second day Friday, with reports of shooting and explosions from the southern suburbs of the city, while refugees fled fighting between the army and rogue militias.

Shops and offices closed, witnesses said, and inhabitants sought safety in their homes after the city spent the night without electricity. Telephone service was limited to the center of the city.

Witnesses across the Congo River in Kinshasa, the capital of the Democratic Republic of the Congo, reported hearing explosions and seeing columns of smoke.

The police fired on looters taking advantage of the disorder in the Brazzaville southern suburb of Bakongo, and civilians were fleeing the area, witnesses said Friday. The suburb is the former stronghold of the exiled opposition leader and deposed prime minister, Bernard Kolelas.

A looting rampage there by army recruits caused panic Thursday before armed police restored order.

Casualties were reported by civilians fleeing the area, although the numbers were unclear.

There was no immediate statement from the government of President Denis Sassou-Nguesso, which has sent its army against opposition militias operating south and west of the capital in the oil-producing Pool region. General Sassou-Nguesso was in Burkina Faso attending

an Organization of African Unity summit meeting on conflict in Africa.

General Sassou-Nguesso, the former military ruler, overthrew Mr. Kolelas and President Pascal Lissouba in October 1997 with the help of Angola after a showdown that killed at least 10,000 people. Mr. Lissouba is also in exile.

The 1997 conflict, which derailed a planned presidential election, was largely confined to Brazzaville. General Sassou-Nguesso has promised elections within three years. (Reuters, AP)

Terrorist Warning In South Africa

CAPE TOWN — After a homemade bomb was thrown at a synagogue in Cape Town, the South African police warned Friday about retaliation against the American and British bombing attacks on Iraq.

"We don't want to put fears into people, but we have a responsibility to say to people that we might have problems and please be careful," Ganiel Daniels of the South African Police Services said on public radio. The synagogue was bombed in the Wynberg suburb. Nobody was hurt in the explosion but the building was damaged. (Reuters, AP)

Iraqis Put On a Brave Face but Give Sketchy Details of Air-Raid Damage

By Howard Schneider
Washington Post Service

BAGHDAD — From strident Friday prayers to a newspaper illustration of President Saddam Hussein astride a white charger slaying a serpent with a lance, Iraqis sustained a defiant official face against American and British air attacks that for a second night targeted military and industrial sites throughout the country.

Iraqi officials have been hesitant to provide much detail about the damage done, limiting reporters' access to a handful of civilian facilities that have sustained shattered glass and other minor damage, apparently related to explosions at nearby target sites. The nature of the damage and buildings displayed suggests that the attacks have so far maintained their focus on military, industrial and government targets.

There was damage visible from the street, for

example, to the Iraqi Military Industrial Corp., an office in the past associated with Iraq's weapons programs. Though the explosion at the building was visible Thursday night to reporters gathered at the Iraqi Ministry of Information, officials would not allow a tour, or openly acknowledge which building was hit.

On the outskirts of town, United Nations officials decided to evacuate another 100 humanitarian workers after a series of strikes at a nearby government building shook their headquarters at the Canal Hotel.

At a press conference Friday evening, Deputy Prime Minister Tariq Aziz confirmed that several of the country's presidential palaces had been hit, as well as most of the industrial and other sites on a list of facilities that a UN weapons team was monitoring by camera, site visits and other means.

By contrast, the sites to which Iraqi officials are

escorting journalists include the Saddam Teaching Hospital, where glass was shattered by a nearby explosion, a maternity hospital where ceiling tiles were dislodged by the same concussion, and a damaged road and private home.

Those sites included the Baghdad Museum of Natural History, where a piece of a missile crashed through the ceiling, shattering windows and the glass enclosure of two stuffed tigers.

Pieces of the missile were collected by workers from the outside of the building, which is near the Iraqi Ministry of Oil.

At the press conference, Mr. Aziz both called President Bill Clinton a proven liar and said that the UN weapons monitoring in the country.

He said Iraq would never again accept the regime of weapons inspections and international trade sanctions imposed on it after the Gulf War as a means of ensuring the country dismantles its bi-

ological, chemical and nuclear weapons programs.

"Iraq cannot tolerate both sanctions and Unscm," he said, referring to the United Nations Special Commission that has been overseeing the UN disarmament program in Iraq.

After saying that the raid was orchestrated by a "Zionist clique" in Mr. Clinton's cabinet, including Secretary of State Madeleine Albright, Defense Secretary William Cohen, and the national security adviser, Sandy Berger, Mr. Aziz said that Iraq no longer had the means to retaliate against Israel.

"When we had the means, we did that," he said. "Unfortunately, and I am saying it as an Arab as an Iraqi, we don't have such means."

In a taped statement aired on Qatar television, Mr. Saddam said there was no compromise being offered or planned.

"We are not frightened by anyone other than God, and we are not going to bow, only to His sacred face," Mr. Saddam said.

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Impeachment Showdown / Would Clinton Give Up?

White House Wonders, How Friendly Is Senate?

Focus of Lobbying Shifts to the Upper House

By Alissa J. Rubin,
Elizabeth Shogren
and Edwin Chen
Los Angeles Times Service

WASHINGTON — Long before the historic debate Friday, the White House calculated that even if President Bill Clinton were impeached by the House, the less-partisan Senate would never expel him from office.

Now, though, as Senate Republicans dismiss any talk of compromise and at least a few Senate Democrats speak privately of resignation, the White House is beginning to fear that Mr. Clinton may not find the Senate as friendly a forum as he once had hoped.

So concerned is the White House staff that it already has shifted its lobbying focus from the House to the Senate, where Mr. Clinton has few friends.

There is a growing consensus among Republicans on Capitol Hill that any early deal with the president — such as the censure proposal advanced this week by the former Senate Republican leader, Bob Dole, is off the table.

"We will go to a trial, said Trent Lott, the leader of the Senate's Republican majority. "And there won't be any deal-making as we begin our job."

That is a formula for keeping the issue before the public for weeks or even months, which could further undermine support for the president.

It's a fair reading to say that there are at least a few Democratic senators who privately believe that it would be the best thing to have the president resign," said Paul Simon, a former Democrat senator from Illinois.

However, Mr. Simon added, Democrats recognize that Mr. Clinton is a fighter and no one is trying at this point

to urge him to leave the White House voluntarily.

"There's a general feeling that he wouldn't consider doing it," Mr. Simon said, "so that I think it's unlikely a delegation would go and ask him to." Mr. Simon added, "Now it could be that a month from now, two months from now, three months from now, if the situation deteriorates, it could happen."

The Senate arithmetic appears to work in Mr. Clinton's favor.

Conviction requires the votes of 67 of the 100 senators. Even if the 55 Republicans vote as a bloc, they will need help from 12 Democrats. (In the House, where a majority can pass articles of impeachment, Republicans need no Democratic support, and they expect little.) But the president may face a more delicate problem than the numbers suggest. While there may never be the votes for conviction, a request from members of his own party that he resign — as leading Republicans asked of President Richard Nixon in 1974 — would be equally damaging. Mr. Clinton's supporters are trying to stop any such movement before it gets started.

Publicly, Democratic senators brush aside talk of resignation.

"I have not heard that," said Senator Christopher Dodd, Democrat of Connecticut.

Helping the Democrats keep close ranks is the sharply partisan tone that the Republicans have taken toward Mr. Clinton. "The fact that the impeachment vote was so partisan and the debate so strident has helped solidify Democratic support," said Senator Robert Torricelli, Democrat of New Jersey.

Further overwhelming majority of Democrats who will not support im-



Trent Lott, the leader of the Republican majority in the Senate, saying that the timing and policy of the assault on Iraq would be investigated. Earlier, Mr. Lott said that if Mr. Clinton were to go to trial in the Senate, "there won't be any deal-making as we begin our job."

peachment. "But the official conceded that did not mean the Democrats would resist starting a trial.

However White House officials face a tough audience in Democratic senators because Mr. Clinton has few, if any, close allies among them.

The prospect of a trial is filled with political uncertainty for both parties. While it could make Republicans look as if they were dragging things out and failing to work on issues that matter to the country, it could also lead more people to view the president as the problem and put pressure on Democrats to end it all quickly by asking for his resignation.

For that reason, Democrats are pressing for a speedy trial.

"We ought to begin immediately so

this can be dispensed with immediately," Mr. Dodd said. "This is an extraordinary step the House is taking," he added, "and having an American president dangle too long as an impeached president can impose some serious problems for foreign policy as well as domestic policy."

All sides agree that the situation in the Senate is extremely fragile. Either party could get the upper hand; the equation could be tipped by how the public regards the performance of Mr. Clinton and the Republicans during the House impeachment vote and the bombing raids on Iraq.

"Wherever public opinion is will have a massive effect on all of the conservatives and moderates in our party," a Democratic strategist said.

CLINTON: Impeachment Vote Readied

Continued from Page 1

of Mr. Clinton's relationship with Ms. Lewinsky — yet virtually every mind already had been made up. Both sides followed a script without surprise, following party lines almost without exception.

Only after four hours of debate did one Republican, Representative Peter King of New York, say that he would oppose impeachment. A supporter of censuring Mr. Clinton for his efforts to conceal an intimate relationship with Ms. Lewinsky, Mr. King said he was troubled by the direction the nation was heading.

Still, there were poison and fury and electricity in the air.

Suspicion by some Republicans that the attack on Iraq was ordered by Mr. Clinton to divert attention from impeachment was echoed by Democratic anger that Republicans insisted on going ahead with the hearings even as the war continued.

The stunning admission by Mr. Livingston that he had had extramarital affairs brought further fury, as some Republicans accused the White House of leaking the story and presidential aides angrily denied the charge.

Fellow Republicans said they excused Mr. Livingston for his behavior and took pains to draw distinctions between his conduct and that of Mr. Clinton.

Representative Richard Gephardt, Democrat of Missouri and the House minority leader, used that revelation to deplore the stark decline in civility in Washington politics and congressional conduct.

"The events of the last days sadden me," he said. "We are now at the height of a cycle of the politics of negative attacks, character assassination, personal smears of good people, decent people, worthy people. It's no wonder to me and to you that the people of our country are cynical and indifferent and apathetic about our government and about our country."

Several speakers said they feared the Congress was descending into a self-destructive spiral of brutal and personal political warfare, of attack and revenge, with no end in sight.

Mr. King said he was deeply troubled by the trend he was witnessing.

"Where are we going as a nation?" he asked. "We are a nation consumed by investigation, by special counsels, we are a nation consumed by scandal. We are driving good people from government."

Representative Charles Schumer, Democrat of New York, warned, "My fear is that when a Republican wins the White House, Democrats will demand payback." He warned of an "escalating chain of revenge."

Mr. King sought in vain to marshal a movement in favor of censure.

A California Democrat, Tom Lantos, lashed out at the Republican leadership for blocking any censure vote.

"To hide behind these phony technicalities demeans this House," he said, adding that Republicans knew censure would be legal and constitutional, and would be approved.

And Mr. Conyers said, "I cannot recall a single occasion when the Democrats denied the Republicans the ability to offer an alternative on a matter as momentous as this."

Republicans insisted that the Constitution did not provide for censure.

They almost universally condemned Mr. Clinton for behavior that they said had brought his office into disrepute, jeopardized the rule of law and set a harmful model for young Americans.

"The president turned the justice system upside down on many occasions for his personal gain," said Representative Lindsey Graham, a South Carolina Republican.

Democrats objected strenuously, an-

Hillary Clinton Makes an Appeal For Reconciliation

Reuters

WASHINGTON — Hillary Rodham Clinton, speaking as the House of Representatives debated impeaching her husband, issued a plea for reconciliation Friday "to end divisiveness" in the country.

Mrs. Clinton, asked to comment on the impeachment proceedings, said Washington's focus should be on the problems facing many Americans rather than the woes facing President Bill Clinton.

"The vast majority of Americans share my approval and pride in the job the president has been doing for our country," she said outside the White House, the U.S. Capitol dome visible in the background.

"I think in this holiday season, as we celebrate Christmas and Hanukkah and Ramadan and it's time for reflection and reconciliation among people, we in our country ought to practice reconciliation and we ought to bring our country together," Mrs. Clinton said. "We ought to end divisiveness, because we can do so much more together," she said.

Mrs. Clinton spoke following an event promoting a safe-driving "red ribbon campaign" sponsored by Mothers Against Drunk Driving.

Mrs. Clinton spoke only briefly with reporters, answering just one question before walking away.

grily, imploringly, but in the end futilely on a variety of grounds, including the war with Iraq. "Starting this proceeding today may wind up costing American lives," said Representative Martin Frost of Texas. "The majority may well have blood on its hands by starting this proceeding today."

But Representative Sam Johnson, Republican of Texas who, during the Vietnam War, spent three years in a North Vietnamese prison camp, said that Mr. Clinton's actions "have made a mockery of the people who fought for this country — and are fighting for this nation today — the Constitution and the laws we live under."

Some Democratic speakers also cautioned that a Senate trial could lead to instability of financial markets. Republicans responded by calling on Mr. Clinton to spare the country such uncertainty by resigning.

A Republican clamor for resignation appears likely to follow an impeachment vote. But a presidential spokesman, Joe Lockhart, said again Friday that that would not happen.

Democrats said that the people's will, as expressed in two presidential elections, the recent congressional election and opinion polls, was being thwarted.

After the Republicans' disappointments in the Nov. 3 elections led to a general assumption that Mr. Clinton would never be impeached, momentum turned dramatically against him in the last few weeks.

And Mr. Clinton, who has been considered one of the great political escape artists of the modern era, a man who had charmed, cajoled and maneuvered his way out of narrow scrapes time after time, proved unable to escape one of the darkest historic smudges that could besmirch a presidency.

While he kept a low profile during the day, his wife, Hillary Rodham Clinton, made a plea for reconciliation from the White House lawn.

POLITICS: The Decline of Civility in Washington Shows No Sign Now of Abating

Continued from Page 1

ings represent anything more than partisan payback for accumulated grievances.

It is hard to say where it all started. Vietnam? Watergate? A succession of Senate confirmation battles — the most notable, being those of the Supreme Court nominees Robert Bork and Clarence Thomas — that turned into open warfare between the parties and between opposing cultures in the country? The resignation of the House speaker Jim Wright, Democrat of Texas? The election of Mr. Clinton? The Republican takeover of both houses in 1994?

The elements of this style of politics are now familiar to an increasingly disconnected country: negative campaigns, the relentless exposure of the private lives of politicians, a political system corrupted by huge amounts of money, war-room politics, government by permanent campaign, accelerated news cycles and a destroy-your-opponent mentality.

This conflict has intensified for several reasons. One is that the political landscape is so evenly balanced between the two parties right now. Neither Republicans nor Democrats can gain the upper hand, but each is determined to win it all in every election. Every skirmish becomes a significant battle.

Another factor is that the parties too often have found that the politics of polarization win elections, whatever the cost to governing. At times, the two parties have allowed their extreme wings to dominate, at the expense of the

middle. Civility has become a casualty. There is no question that the events of 1998 have rubbed raw the nerves of partisans on both sides and that the impeachment vote has added to the bitter feelings in both parties. The notion of impeachment as a solemn and sober process has disappeared in the welter of partisan argument.

Mr. Clinton may feel like a victim as the House began the impeachment debate, but even those who have defended him and worked for him acknowledge privately that he bears considerable responsibility for where the country stands this week. His credibility, they say, has been damaged by his conduct. Is it any wonder, some say, that Republicans distrust his motives in attacking Iraq?

"The depth of the damage he's caused himself and the extent to which his relations with Congress have been strained all came together," said a Democrat who asked not to be identified.

But privately, many Republicans despair at how members of their own congressional leadership responded to the attack. The decision by the Senate majority leader, Trent Lott, Republican of Mississippi, to issue a statement opposing the action baffled and angered party members.

It was left Thursday to the outgoing speaker, Representative Newt Gingrich, Republican of Georgia, long known for his combative, partisan instincts, to attempt to show his fellow Republicans a

model of opposition leadership. Mr. Gingrich went to the well of the House to deliver an eloquent statement of America's responsibilities to the world and a pointed reminder to his colleagues of the president's unique role in that leadership.

"Let me be very clear," Mr. Gingrich said, "I believe the United States has to lead, and the president of the United States has to provide that leadership every day, 365 days a year."

He was not the only Republican to endorse the president's decision, if not all aspects of the administration's policy toward Iraq. Senator Richard Lugar of Indiana, John McCain of Arizona and other Republicans offered unequivocal support.

"It wasn't a matter of trust or lack of trust in the president of the United States," Mr. McCain said in an interview. "It was the overwhelming evidence that these strikes were warranted because of Saddam Hussein's transgressions."

But the statements by Mr. Lott, the House majority leader, Dick Arney, Republican of Texas, and others questioning the Iraq action continued to raise eyebrows. Mr. Lott attempted to explain his statement during a television interview, but did little to erase the impression of a Senate leader who sees the world in starkly partisan terms.

Recalling the congressional debate over the Gulf War resolution in January 1991, Mr. Lott said, "I don't believe there

was a single Democrat who voted for it." In reality, 10 Senate Democrats, including Vice President Al Gore, then a senator from Tennessee, and 86 House Democrats supported the resolution. Mr. Lott apparently forgot that in 1991, Democrats controlled both the House and Senate, meaning that the resolution could not have passed without Democratic votes.

If the argument over Mr. Clinton and Iraq strained relations, the revelations about Mr. Livingston inflamed them even more — though no one had any immediate evidence of how the information had come to light.

First it was Representative Henry Hyde, Republican of Illinois and chairman of the House Judiciary Committee, who was forced to acknowledge a past sexual affair. Now the incoming speaker of the House — on the eve of the impeachment vote.

In the current atmosphere, there will be no benefits-of-the-doubt offered, no stepping back, no quarter given. The impeachment debate will run its course, whatever the outcome, and then everyone will have to assess the damage.

The country has been here before. Vicious politics, personal accusations and rolling partisanship are well documented in American history.

The question is whether the genie can be put back in the bottle, and no one has the answer.

The first test will come when the impeachment issue has been resolved and attention turns to the 2000 elections. Few campaigns have been waged for higher stakes, with the House, Senate and presidency all up for grabs.

Washington 'now reminds people of the napalm-bombed Vietnam'

ors Richard Lugar of Indiana, John McCain of Arizona and other Republicans offered unequivocal support.

MALAYSIA: Mahathir Under Pressure

Continued from Page 1

country, the lack of justice and the government's control over the press.

But perhaps highest on the list of concerns, and indeed the trigger of the current political unrest, is the treatment of the popular former deputy prime minister, Anwar Ibrahim, who until September was Mahathir's anointed successor.

The issue has refused to disappear three months after Mr. Anwar was dismissed and put on trial for sodomy and corruption. Readers are reminded daily of the former deputy prime minister's plight in front-page articles on his trial accompanied by lengthy transcripts on inside pages.

All political calculations were turned on their head when Mr. Anwar was dismissed.

The charismatic former student leader, who was recruited into the United Malays National Organization, or UMNO, by Mr. Mahathir in the early 1980s, had enhanced both the government's Islamic credentials and its youthfulness.

The long shadow that Mr. Anwar's departure has cast over Malaysian politics is unlikely to fade, political analysts say, until the prime minister chooses a new deputy and Mr. Anwar no longer features on the front page every day.

But for now, the net result of the political turmoil for Mr. Mahathir is that the bulk of the disenchantment he faces comes from his own people, the Malays, who make up more than half of the population, not the minority Chinese or Indians.

As a result, Mr. Anwar's dismissal has been tough for many politicians in the Malay heartland to explain to their constituents.

All that remains of Mr. Anwar's legacy in the office of Samsi Jundi, a long-time Mahathir ally who is chief minister of Kedah, the prime minister's home state, are two screws stuck in the wall — the place where the former deputy prime minister's portrait once hung.

Mr. Samsi was quick to denounce Mr. Anwar after his dismissal and has witnessed the consequences. "I've got hundreds of letters, people writing to me without their address and signature, cursing me," he said.

A few months ago, Mr. Mahathir was praying in a rural mosque in his district and was confronted by a man who badgered him with questions about why he had dismissed Mr. Anwar. The man had to be led away by Mr. Saad, the party's secretary.



Abu Kassim bin Abdullah, district secretary of the Islamic Party of Malaysia, and his colleagues in the northern city of Jitra. The party is gaining ground in the prime minister's constituency.

The current political battle between Mr. Mahathir's UMNO and the radically Islamic PAS is driving a wedge through the Malay community in a fratricidal campaign that politicians and analysts say could dilute their power nationwide. By virtue of their majority, Malays have held the top spots in government since independence in 1957.

"The main fear is that the Malay vote will be split," says a member of the senate in Kuala Lumpur. "If UMNO loses seats, Malays can expect more demands from the Chinese."

In Mr. Mahathir's constituency alone, the number of PAS branch offices has increased from 46 to 67 in a matter of months, according to PAS. A branch must have at least 25 members but often has a lot more.

Until two months ago, PAS, which gets almost no coverage in the mainstream media, held outdoor rallies to spread its message.

But in a sign of the government's concern over the party's popularity, the rallies were banned by the police several weeks after Mr. Anwar's dismissal.

PAS has a radical agenda: turning multiracial Malaysia into an Islamic state. That would include Islamic laws and punishments, the party says, such as chopping off a thief's hand or stoning an adulterer.

That is in sharp contrast to Mr. Mahathir's more moderate Islamic views. The prime minister has long campaigned for a modern face of Islam: Science and technology will strengthen Malaysia, he says, not religious fundamentalism.

Mr. Mahathir has helped transform an economy based on rubber and tin to one that produces microchips and automobiles. Highways were built and students on government scholarships were sent abroad by the thousands.

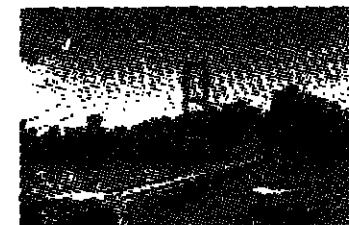
In his home district, a huge university campus has created jobs and brought prestige. There are good roads, shopping malls and dozens of mosques built by the government.

For this, the people of Kubang Pasu give Mr. Mahathir credit. Few people in the district even blame him for the economic turmoil that has gripped Malaysia for a year and a half.

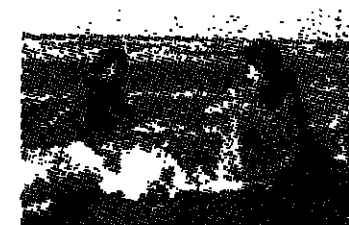
Malaysia has no tradition of opinion polls, so it is difficult to measure the depth of the disaffection with the government or the eventual effect during elections, which must be held before April 2000.

But Mr. Mahathir's allies say they are reassured by the fact that the opposition's radical Islamic views will scare off many of the disgruntled voters. "They might criticize Mahathir, but talk about an alternative and I think they will lose confidence straight away," Mr. Samsi said.

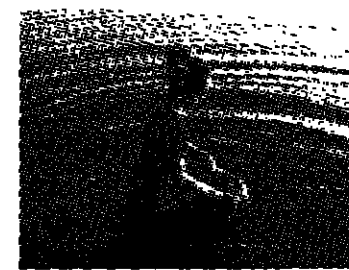
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Extinction of Compromise

At a time when its members would normally be in holiday recess, Congress is wrestling with its two most solemn responsibilities — whether to impeach the president and whether to support his decision to send American troops into combat.

Democrats made a strong case against starting the impeachment debate while American forces were attacking Iraq. But in discussing that issue, the Democrats were also playing to an emerging theme in popular opinion that the impeachment process was being guided by Republican muscle rather than sober judgment.

"There is something about this whole process that shows a lack of judgment, a lack of proportionality, a lack of common sense," warned the Democratic whip, David Bonior of Michigan.

If Republicans as eminent as Gerald Ford and Bob Dole favor censure, Mr. Bonior asked, why was the House limited to a yes-no vote on impeachment? The answer, of course, is that the incoming House speaker, Bob Livingston, and his whip, Tom DeLay, were certain they could win an impeachment vote. They were counting votes Friday to see if Mr. Livingston's confession of marital infidelity had weakened their hold on Republican moderates who might fear that voting against President Bill Clinton would look hypocritical.

Until now, the headlong rush toward an impeachment that is opposed by the public has made this a time in Washington unlike any other in living memory.

Even at the depths of Watergate, there was a sense of strong hands reaching for the rudder that President Richard Nixon had relinquished.

But at this crucial moment, the capital lacks two ingredients that are essential to the steady guidance of a government designed around checks and balances among coequal branches. One is the emergence of leaders capable of growth in the midst of crisis.

The other is a shared commitment to compromise.

To look for those qualities in the new Republican Party is to understand that Mr. Ford and Mr. Dole, with their urgings toward bipartisan censure, are dinosaurs. The voters in the Sun Belt congressional districts that now control the House Republican Conference do not elect compromisers.

At the same time that the Republican Party devalued compromise, the Democrats have been hobbled by congressional losses and a vitiated president.

In this chaotic atmosphere, events are being shaped by the Republicans' hunger for maximum partisan advantage rather than the best outcome for America. The strategy of the Senate majority leader, Trent Lott, seems to envision using the Senate trial to drive Mr. Clinton toward resignation if impeachment passes the House.

The clearest thinking in the Republican Party is coming from two New Yorkers, Representatives Arlen Specter and Peter King.

On Thursday, they introduced a censure resolution noting that Mr. Clinton "lied under oath." Mr. Clinton now seems willing to consider that essential language, but as is typical of his every action since his landmark falsehoods of Aug. 17, he has waited too long to make a saving move.

The public has defined the correct punishment for Mr. Clinton. It wants a condemnation occupying the serious space between a venal Republican leadership and those mindless speakers at anti-impeachment rallies who see the president as a victim of bad dating etiquette.

Although we have called for swift completion of the constitutional process, we think Mr. Livingston is mistaken to conduct the impeachment during combat operations in Iraq. He is even more mistaken to exclude the only resolution that fulfills justice and the public will.

—THE NEW YORK TIMES

U.S. Force vs. UN Diplomacy

Kofi Annan, the United Nations secretary-general, regrets that the Iraq crisis was not allowed to be resolved by diplomacy.

Who does not? But why was it not? It was not, as various critics of the intervention suggest, that Washington was impatient, rash or pursuing an imperial design. It was that Saddam Hussein resisted the grave appeals of the United Nations to permit his disarmament. The real alternative to the crisis provoked by Mr. Saddam's years of intransigence and duplicity was not another dose of diplomacy. It was an application of force. Mr. Annan had it right in an earlier crisis when he endorsed the concept of diplomacy backed by force.

The United States is being scored for lacking due confidence in the United Nations. But who is the good internationalist here? Is it a government prepared to act at its own cost and risk to blunt Mr. Saddam's threat, a threat made credible by his past aggression and cruelty — to develop and use weapons of mass destruction? Or is it governments or international organizations that compromise the requirement for implementation of solemn

international decrees, in the United Nations' case its own resolutions?

The United States and Britain are being more faithful to the purposes as well as to the specific words of the United Nations than is the United Nations itself.

In Mr. Annan's case, the irony is acute. He finds himself lamenting an American intervention undertaken to make up for the failure of the very policy of reliance on diplomacy that he advocated and personally conducted.

Mr. Annan did well to make that effort. Mr. Saddam was given a full opportunity to come clean without the use of force. But those who question the American response must read the Iraqi dictator's record of provoking four crises with the UN inspectorate in a year.

There can be no guarantee that force will bring the desired result. But there has been ample demonstration that diplomacy unsupported by force will not. The intervention may not succeed in bringing Mr. Saddam into compliance. But without the intervention the future credibility of the United Nations would have been destroyed.

—THE WASHINGTON POST

The Cloning and Ethics Race

The announcement that South Korean scientists have cloned a cell from a woman to make an embryo that is genetically identical to her has yet to be verified. Few details have been made public, and no scientific paper has been reviewed by experts. But the announcement ought to provoke a gasp at how rapidly cloning has been surging ahead.

Only some 20 months ago, the world was astonished when scientists in Scotland reported cloning a cell of an adult sheep to produce a lamb, showing for the first time that it was possible to make a genetically identical younger twin of an adult mammal. That achievement took substantial effort to confirm. But in recent months, advances in cloning have tumbled forth rapidly.

Scientists in Hawaii reported in July that they had created dozens of clones of adult mice, and scientists in Japan reported this month that they had cloned cow cells to produce eight calves. Whether or not the South Koreans have

cloned a human, there seems little doubt that it could be done.

The South Korean researchers moved cautiously through some ethical minefields. Their experiment was terminated after the embryo had divided into four cells. That is too soon, some experts say, to determine whether development of the embryo was really being driven by genetic material from the mother.

But the South Koreans made it unmistakably clear they had no intent of implanting the embryo into a woman's uterus so that it could develop into a child. They thus avoided the step that troubles many ethicists and citizens, who fear cloning will inevitably undermine human individuality.

The United States has only begun to debate the ethical pros and cons of cloning humans, secure until now in the belief that there is time for such ruminations. The lesson from recent studies is that time is fast running out.

—THE NEW YORK TIMES

Impeachment Crisis Doesn't Prevent Bombing Iraq

By James A. Baker 3d

HOUSTON — With his decision to order substantial air strikes against Iraq, President Bill Clinton has finally taken a course of action that should have been pursued earlier this year. Not that this will result in a change of regime in Iraq, nor an end to its efforts to hide or acquire weapons of mass destruction.

But the operation will send a clear signal to would-be proliferators that the United States will continue to lead the global effort to stop the spread of these horrific weapons.

If we do not, no one else will. One result of these air strikes, however, will be a change in policy from containment through weapons inspections to containment by military means. This will require an extended and substantial American military presence in the Gulf and a shift in policy will not be simple to carry out.

But it is the least objectionable of several bad options. Many voices have called for removing Saddam Hussein.

This is easy to demand but very difficult to accomplish without occupying Iraq — something that those who call for this approach would be reluctant to back.

Many have questioned the wisdom and even the motives of Mr. Clinton's decision, which came as the House of Representatives neared its debate and

vote on impeachment. One reason for these questions, of course, is that Mr. Clinton's credibility for veracity is so low. He may be impeached, after all, for lying under oath.

On the substance of what he has done, however, I believe he has acted correctly. On the timing, the skepticism is quite understandable. But there were at least three good reasons for acting quickly: one, the onset of the Muslim holy season of Ramadan this weekend; two, the need for surprise, and, three, if too much time had elapsed the administration would undoubtedly have been presented with some phony diplomatic solution (which Iraq would once again have agreed to) that would have given Mr. Saddam time to mobilize world opinion, making it more difficult to strike forcefully and substantially.

This last point is important when we consider that Mr. Clinton has vacillated in previous crises with Iraq. His rhetoric has been strong, but his resolve has been weak. Twice this past year, first in February and then in October, Mr. Saddam struck his finger in our eye and brought us to the brink of confrontation.

On those occasions, Mr. Clinton did not respond appropriately. Instead of

using force, he fell back on diplomatic and political negotiations, and Mr. Saddam played us like a Stradivarius.

In February, the United States spent vast sums moving massive military forces but did not use them. Then, instead of keeping the forces in the area, we brought many of them home and then had to send them back. And this came at a time when most of the international community supported the use of force.

We will probably not get as much support now.

Valid questions have been raised about the timing of this attack. I hope I am right when I say I simply cannot believe that any president would be so craven as to put the lives of American military men and women at risk to protect his political backside.

The fact that these questions are being raised, however, indicates that Clinton has been weakened in his ability to lead. This is not the fault of the congressional leaders. We are where we are today not because of them but because of the president's willingness to lie under oath. In fact, his leadership troubles go back further than the impeachment hearings. They date at least back to August, when he admitted to the country that he had been lying to everyone for seven months.

In the time since the Monica Lewinsky scandal broke last January, he has been distracted, unable to focus as fully on foreign policy as he should. No president could. With impeachment looming, he is therefore subject to the charge that he has acted against Iraq for partisan reasons.

When the commander in chief puts our forces at risk, it is incumbent upon all of us to support our men and women in uniform, and I believe the country will continue to support what he has done in Iraq. House Republicans showed great leadership by moving to postpone and delay the debate and vote on impeachment.

But neither they nor we should put the constitution on hold for too long. The vote in the House should take place as rescheduled. After all, this would not be the first time that Congress, having begun impeachment proceedings against a president at a time when American forces were engaged in combat abroad, our country is strong enough for us to lead the global fight against weapons of mass destruction at the same time we preserve, protect and defend the constitution here at home.

The writer, secretary of state in the Bush administration, contributed this comment to The New York Times.

Clinton's Cynical Decision to Attack Won't Solve the Problem

By William Pfaff

PARIS — By the time this is published, the hangover problem will have arrived.

The question will have to be answered as to what bombing Iraq once again has accomplished, other than adding to the large number of Iraqis who have been killed by American forces since Saddam Hussein invaded Kuwait in 1990.

That invasion brought an end to what until then had been a tacit alliance between Mr. Saddam's Iraq and the United States, to contain the influence of their mutual enemy, Iran.

Since then, Mr. Saddam has been Washington's enemy, and there has been an emotional and even obsessional quality to this enmity which is not easily explained, but has undoubtedly been a source of certain unresolvable elements and unanswered questions in American policy towards Iraq.

It is, for example, evident that the attacks of the past few days are most unlikely to force the Iraqi regime to submit to the weapons inspection system which Washington thinks indispensable.

It would be a waste of time for Baghdad to say that it would submit, since President Bill Clinton and Congress have already indicated that they will not be satisfied until the Saddam government itself has been removed from power.

As long as Mr. Saddam's government remains in power, and American policy remains what it is, there is little chance that the United States would agree to end the United Nations Security Council's oil and economic sanctions on Iraq, imposed in 1991 and strengthened in October 1997.

This being so, the Iraqi dictator, who has amply demonstrated his indifference to the suffering of his people, may conclude that he has nothing further to lose from ending the UN and International Atomic Energy Agency inspections.

Mr. Saddam's government could, if it chose, close the country to the UN and International Atomic Energy Agency, and turn to the international arms and technol-

ogy black markets in order to reconstitute the military forces it wants and can afford.

It is true that maintained international sanctions would obstruct this, and some in Washington might even recommend continuing military attacks on Iraq's military, industry, and infrastructure so as to keep the country on its knees.

But such a course of action would be unlikely to prove palatable to the international community, which already has shown itself uneasy with existing sanctions.

The general thrust of Washington's policy rationale, that Iraq is a menace to global security as well as to its neighbors, is a familiar theme by now. The argument remains difficult to justify in practical terms, since thanks to the UN inspections that already have taken place, the country possesses little capacity for air or rocket delivery of any kind of strategic weapon, even one as indiscriminate in whom it infects as a biological agent.

Mr. Clinton and his advisors are not in any case under the illusion that bombing is an effective way to deal with easily concealed research and development concerning biological warfare weapons, the subject emphasized in Washington policy statements.

Chemical weapons were employed by the Saddam government both in the war with Iran and in domestic political repression, but again they are not easily manipulated, and scarcely provide a convincing global threat.

That is why no major nation has used them in warfare since the trenches of the western front in 1915-1918.

Can these American and British attacks on Iraq promote a change of government? There seems general agreement that Mr. Saddam's multiple and overlapping security forces are effective domestically.

Attempts by the CIA to bring about a military coup have consistently failed.

The U.S. Congress has recently provided \$100 million in new funds for CIA-supported

Iraqi opposition groups outside the country, which until now have proven conspicuously unsuccessful.

An opposition paid for, and controlled by, the country of countries attacking Iraq is in a poor position to appeal to Iraqi patriots and democrats.

In short, the political expectations motivating the American offensive of the last few days are hard to understand. The attacks "teach Saddam a lesson" which he already knew. To do this may reassure Washington officials, but is likely to leave the country with unforeseen consequences.

This has not been an operation which promotes respect for the United States in allied circles, or at the UN. But that is no longer a very serious consideration in Washington.

As for the political context in Washington of the attack on Iraq, this writer regards it as irrelevant to the issue itself; but I believe that, in its timing, Mr. Clinton's was a cynical decision.

International Herald Tribune.
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The President Has Lost Credibility and Must Resign

By A.M. Rosenthal

NEW YORK — Bill Clinton has one great service he can offer to his country, only one now — swift resignation.

Democratic leaders, and his true friends out of government, owe it to him to urge him to resign, in the critical interest of all Americans, particularly those he is sending into action.

The loss in credibility he earned with his quick decision to attack Iraq, although his impeachment was likely the next day, will dilute the chances of lasting victory over Saddam Hussein.

He created two obstacles to eliminating Mr. Saddam — a mountain of cynicism, and another of disbelief.

The victims of a war that fails to eliminate Mr. Saddam will be not only Iraqis and Americans, but all who will be slaughtered

one day by Iraq's chemical, nuclear and biological weapons.

Resignation should come as soon as the current few days of bombing end.

History, not Congress, would judge the president on the White House scandal. But Mr. Clinton would have made the honest judgment that his presence in office had become a weight on his country.

I do not think the president has the courage to resign. But we must say aloud what we think our leaders should do, not think behind platitudes — like when war starts we all must know to the president.

If he stays on, the reputation for lying, deviousness and sick risk-taking that led him to the cusp of impeachment will eat

further at trust in the motives of the man who commands troops fighting Iraq.

And on Thursday, Democratic leaders began literally screaming that he should not be impeached or tried while the United States is taking military action against Iraq — which could be for a long time.

Many Americans will believe these Democrats echo the president's own hopes for immunity from congressional punishment while he commands troops at combat. I am one of those Americans.

The attack against Mr. Saddam for blocking United Nations teams from inspecting Iraqi weapons of mass destruction was a step Mr. Clinton should and could have taken

any time during the six years of his presidency.

On the Clinton watch, Mr. Saddam blocked inspection ever more openly, creating almost monthly crises.

The report of Richard Butler, head of the UN inspection commission, could justify an attack, but there had been no expectation at the United Nations of an instant bombing. Yet theoretically with only a few hours of deliberation, the president used the report to order immediate bombing, without saying what would come next.

Even after he ordered the attack Wednesday, Mr. Clinton's impulse to monkey with reality overcame him. He read aloud the offenses that Butler charged Mr. Saddam committed in the past three weeks of testing Iraq's intention of cooperation.

The offenses were: cutting off entry to suspicious sites, blocking access to evidence, refusing to hand over arms documents. The result, as Mr. Clinton said, was that Mr. Butler concluded that the inspectors could not do their work, or make disarmament progress.

Mr. Clinton listed the offenses with an air of stern astonishment. But he knew, and the report said so clearly, that blocking inspection had been going on since 1991.

Unless Americans studied UN reports for years they could

get the impression from Mr. Clinton that they were hearing things just discovered, necessitating immediate attack. After years of not retaliating against Mr. Saddam's war on UN inspection, he decided to attack in the few days before the Muslim holiday of Ramadan, rejecting the option of waiting until it was over in January.

The date for the Butler report was set before the timing of impeachment was known. There was no evidence that Mr. Clinton ordered the immediate bombing attack for anti-impeachment purposes.

But Mr. Clinton took the risk that his timing would create disbelief in America and help Mr. Saddam become even more popular in the Middle East. Palestinians in pro-Saddam ecstasy are already burning American flags they waved for the president a few days ago. Mr. Clinton is given to strange risks — as when he gambled the presidency for office sex.

Until Mr. Clinton ordered the attack on Iraq the day before the scheduled impeachment, his departure was a dispute about morality, the constitution and politics. Now something has been added: how much damage his continuation as president does to American military and security interests, jargon for life and death.

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Loan to Russia

NEW YORK — Certain agents of the Russian Government here are endeavoring to negotiate an enormous loan at three per cent, for a purpose which is not known. A New York banker asserts that his firm was sounded, but he does not think a loan feasible. It is also stated that Japan is trying to float a gigantic loan here with some prospect success. These attempts are significant as showing the value Europe sets on the United States as a source of financial aid.

1923: Eskimo Poets

PARIS — Danish explorers have informed the world that they have found in the Arctic a warlike tribe of Eskimos, bearing the proud name of Avrilismants, all of whom, men women and children, are poets. They sing poems of their own

composition, and they have exceedingly long memories, in that respect resembling the ancient bards of Greece and Scandinavia. If the Poetry Society does not fit out an expedition to mingle with the Avrilismants tribe, exchange ideas, candy, blubber, tallow and caloric conceptions, it will miss such an opportunity as may never occur again.

1948: British Camps

NEW YORK — In a cabled appeal, Henry Morgenthau Jr., general chairman of the United Jewish Appeal and former Secretary of the Treasury, called on Prime Minister Clement Attlee for immediate action by the British government to release 11,000 Jewish men, women and children confined in British internment camps on Cyprus. Declaring that "their only crime is that they are Jews who escaped death at the hands of Hitler,"

Herald Tribune

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Directeur de la Publication: Peter C. Goldmark Jr.

International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.
Tel: (1) 41.43.93.00. Fax: Subscriptions, (1) 41.43.92.10; Advertising, (1) 41.43.92.12; News, (1) 41.43.93.38.
Internet address: <http://www.ihb.com> E-Mail: ihb@ihb.com

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U.S. Advertising Office: 63 Long Acre, London WC2E 2LT. Tel: (44) 71 736-4000. Fax: (44) 71 736-4001.
S.A.S. au capital de 1.200.000 F. RCS Nanterre B 73202126. Commission Paritaire No. 61337.
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Ulster Protestants and Catholics Agree on Historic Reforms

By James F. Clarity
New York Times Service

BELFAST — For the first time since Northern Ireland's Protestant majority and its Roman Catholic minority agreed to specific reforms in government on Friday that are to give more power to Catholics in this British province.

Partition divided the island into an overwhelmingly Catholic state in the South, with the North remaining a Protestant and the minority status of Catholics in the North and their claims that they were oppressed by Protestant politicians have provoked sectarian warfare ever since. Most Catholics here want closer ties to Dublin; most Protestants want to remain part of Britain.

The political leaders, after 18 straight hours of negotiating that ended at 4 A.M. in the new Assembly at the Stormont government complex here, also agreed to create a cross-border North/South Ministerial Council that is to give the Irish Republic more influence in Northern affairs.

The new bodies are set to receive governmental powers in February from the British government, which took direct control of the province in 1972.

The leaders again declined to deal directly with the problem of disarmament of the Irish Republican Army, which has blocked the peace effort since it was approved in the spring.

But, to the surprise of most officials, disarmament by a small, but deadly, Protestant paramilitary group took place Friday morning in a nearby warehouse, witnessed by General John de Chastelain, the former chief of staff of the Canadian Army, who heads the official disarmament commission.

The disarming was the first time any of

the guerrilla groups in the 29 years of sectarian warfare had surrendered any weapons. Evening television showed a large, screeching, steel-grinding wheel throwing waves of sparks as it sliced through automatic rifles as if they were hard salamis.

The decision by the Loyalist Volunteer Force to turn in dozens of rifles, pistols and bomb-making equipment was immediately used by Protestant leaders to urge the overwhelmingly Catholic IRA, and other Protestant groups, to start disarming.

One of them was David Trimble, the first minister of the Assembly, who has excluded the IRA political wing, Sinn Féin, from participation in the government, including taking cabinet posts, until the IRA begins to disarm.

Under Assembly rules, Sinn Féin would have two of the 10 cabinet posts approved on Friday.

But, while the disarmament block remains, the leaders decided to create the historic new structures on Friday, while postponing until early next year the appointment of officials to them, hoping that by then the disarmament problem would be solved.

If the problem persists beyond next spring, officials and experts say, the entire peace effort could collapse into a new round of violence.

Mr. Trimble said of the IRA: "They have been given an example. Let them and other paramilitaries follow it. It is now more important than ever that the IRA join in the process. This is now the only impediment to progress and to Sinn Féin taking its part in the next executive," a reference to the new cabinet in the Assembly.

He said Friday's agreement was a "major step forward."

Prime Minister Tony Blair called it "a significant breakthrough."



Weapons turned over by a Protestant paramilitary group being destroyed at a warehouse in Belfast on Friday.

And Gerry Adams, the Sinn Féin president, said cautiously that the political agreement showed that "progress is possible," a statement officials considered positive. But he did not say whether the specifics of the agreement, seen by many officials as important concessions to the republican movement, would result in a start to IRA disarmament.

A former Protestant guerrilla, David Ervine, now representing a Protestant paramilitary group, noted that Protestant groups were observing cease-fires.

Politicians of both sides agreed Friday that the Loyalist Volunteer Force had scored a public relations coup, gaining attention in an attempt to persuade the government to allow its 25 prisoners to be

released early, as have about 200 other paramilitaries.

The police have warned in recent days that small splinter groups, Catholic and Protestant, may be planning new attacks to damage the peace effort.

Mr. Blair and the Irish prime minister, Bertie Ahern, welcomed what most officials called a breakthrough, and indicated clearly that they hoped it would produce a conciliatory gesture by the IRA.

The IRA, which has held a cease-fire for nearly 17 months, issued no statement on Friday's events. Last week it restated its refusal to disarm until the peace agreement is fully enacted, which is scheduled for May 2000.

The April agreement set general goals

and guidelines for the governmental reforms. On Friday, the politicians approved what amounts to a cabinet of 10 ministers within the new Northern Ireland Assembly, and six new bodies in which Northern ministers and those of the Irish Republic will coordinate such activities as agriculture, trade and investment promotion and tourism.

While no mainstream politician mentioned it on Friday, in the obvious interest of emphasizing bipartisan progress, the reforms are widely seen as concessions to Sinn Féin and the IRA.

One of the new bodies established on Friday is to promote the Gaelic language, a favorite Sinn Féin project. Since the current peace effort began in 1993, Mr. Adams has won a series of concessions from the British and Irish governments, who sponsor and try to stimulate the peace effort. The only concession the republican movement has made, most officials say, is the IRA cease-fire.

Even the nature of the new Assembly is a concession to Catholics, who make up about 43 percent of the population. To make it impossible for the Protestant Unionist majority to govern roughshod over Catholics, the voting system in the Assembly is diluted democracy.

In the past, a simple Unionist majority could vote down Catholic proposals. Now, approval of a measure requires a majority of the votes of both the Protestant Unionist and Catholic nationalist Assembly members.

One of the authors of the peace effort, John Hume, head of the mainstream Catholic Social Democratic and Labour Party, said that after the new cabinet posts were filled next year and the British began to give home rule back to the North, "Once we start working together and harnessing the international good will, then we will start transforming our society."

South Korea Sinks Speedboat From North

By Don Kirk
International Herald Tribune

SEOUL — South Korean warplanes and patrol boats sank a semi-submersible North Korean speedboat Friday after chasing it from South Korea's southern coast far into international waters, military officials reported.

The incident began Thursday, 45 minutes before midnight, when South Korean Coast Guardsmen on shore at Yosu spotted the vessel through infrared binoculars about 2 kilometers offshore, according to the South Korean Defense Ministry.

It ended 100 kilometers (60 miles) to the southeast at nearly 7 A.M. in a hail of rifle shots from the crew of the North Korean boat that were answered by shells and depth charges from a South Korean patrol boat.

The body of one North Korean com-

mando, clad in a wet suit with a grenade in his pocket, was found two hours later, a Defense Ministry spokesman said. As many as five other commandos and crew members were believed to have perished when the vessel sank in waters 110 meters deep.

The boat, officially described as "a half-submerged-type ship," was made of plastic or fiberboard, and was seven meters long and three or four meters wide, the Defense Ministry said.

The speedboat was assumed to be part of North Korea's continuing effort to land spies in South Korea. Lieutenant General Ching Young Jin, commander of the Joint Chiefs' Operations Headquarters, said that South Korean forces were searching for its suspected mother ship.

The North did not immediately comment on the episode but was expected to issue a denunciation on the grounds that

the boat was sunk in international waters.

Officials exulted in the success of the chase. "We are improving," said Park Kwang Ho, an analyst with the Unification Ministry, which is responsible for relations with North Korea. "This time our army, navy and air force paid better attention to their duty because of previous failures. That is why this intrusion has been diverted."

In September 1996, a 350-ton North Korean submarine ran aground on the east coast and last June a 70-ton submarine was snared by a fisherman's net, also on the east coast.

Officials said the South Koreans had intensified surveillance after President Kim Dae Jung ordered disciplinary action against military officers for failing to capture a North Korean spy vessel that entered South Korean waters Nov. 20, the day before his summit with President Bill Clinton.

Mexico Presses Hunt For Reporter's Killer

New York Times Service

MEXICO CITY — President Ernesto Zedillo of Mexico has ordered federal and state authorities to "spare no resources" in investigating the slaying of an American reporter who disappeared while hiking through rugged mountains in western Mexico.

The reporter, Philip True, 50, was killed by being hit over the head and choked, forensic examiners said.

Mr. True, a correspondent for The San Antonio Express-News in Texas, set out on Nov. 28 for a two-week trek through the Sierra de los Huicholes, a remote region in the state of Jalisco.

His remains were found in a shallow grave. Some of his possessions were missing, but he was still wearing his good-quality watch.

BRIEFLY

Serb Official Slain in Kosovo

KOSOVO POLJE, Serbia — A Serbian official was found dead in Kosovo on Friday, and the top international observer in the volatile province said he had expressed his abhorrence to the leaders of ethnic Albanian guerrillas.

The murder of the deputy mayor of Kosovo Polje, Zvonko Bojancic, further raised tensions in the province, where 46 people have been killed this week. Serbian sources said he had been abducted from his home by armed men in Kosovo Liberation Army uniforms, but leaders of the rebel organization denied it had been involved in his death.

"I strongly condemn this and all other terrorist acts," said William Walker, the head of the Kosovo peace monitoring mission. He said the rebel leadership had been informed of his "personal abhorrence and unacceptability of criminal acts such as this." (Reuters)

A Public Execution in Kabul

KABUL — Spectators watched at a sports stadium in the capital as an Afghan man carried out the death penalty on the man who had murdered his brother and as a woman was whipped for "immoral corruption."

Abdul Qayyum shot and killed Saeed Naqibullah in the packed stadium. Mr. Naqibullah had been found guilty of robbing and killing Mr. Qayyum's brother.

Before the execution, a woman identified only as Shahmah was brought to the center of the field, and a soldier whipped her 100 times. The police did not provide details of her crime. (AP)

Jakarta Protests Are Peaceful

JAKARTA — Indonesian students held peaceful, scattered protests after Muslim prayers on Friday, but there was no immediate sign of large rallies, which many people had expected after clashes on Thursday.

About 300 protesters gathered at the Welcome Monument, in the main city thoroughfare, and two other rallies of about the same size were held, one near Parliament and another in the business district. The participants called for political reform and the trial of former President Suharto on graft charges.

On Thursday, more than 60 students were injured when the police and soldiers fired volleys of tear gas and rubber bullets to halt a march on Parliament. (Reuters)

Taiwan Firm Calls Waste Safe

TAIPEI — The petrochemical company Formosa Plastics confirmed Friday that it was the source of 3,000 tons of waste found in Cambodia, but the company said the waste has been certified as nontoxic.

"It's a misunderstanding," a company spokesman said, adding that the waste contained traces of mercury but had been certified by the Taiwan Environmental Protection Administration as being well below hazardous levels.

The Cambodian cabinet has ordered the return of the waste to Taiwan. (Reuters)

Venezuelan Requests U.S. Visa

WASHINGTON — The Venezuelan president-elect, Hugo Chavez, has asked for a visa to travel to the United States, where he was denied entry two years ago for leading a military uprising, U.S. officials said.

"Chavez has submitted an application for a non-immigrant visa, and it is in process," a State Department official said Thursday. U.S. government sources said the request would be handled "expeditiously."

Contacts are under way over a visit by Mr. Chavez before he takes office Feb. 2, the sources said. (Reuters)

How Warm Was It? A Record-Book Year

Average Temperature of Earth Soared a Full Degree Fahrenheit, to 58

By William K. Stevens
New York Times Service

NEW YORK — The Earth's average surface temperature in 1998 is the highest by far since people first began to measure it with thermometers in the mid-19th century, the World Meteorological Organization has reported.

The organization, an agency of the United Nations, said 1998 would be the 20th year in a row that the globe's surface has been warmer than its recent long-term average, which is the average for 1961 through 1990. Seven of the 10 warmest years on record have occurred since 1990 and the other three occurred after 1983. Most recently, new monthly high-temperature records were set in each of the 18 consecutive months ending in October 1998.

The results, based on data through mid-December, will change slightly when final data is calculated. But experts say it is certain that 1998 will turn out to be the warmest year on record, and almost as certainly by an easy margin over the previous warmest, 1997.

According to the new figures, the average global temperature this year will turn out to be about 58 degrees Fahrenheit (14 centigrade), a full degree Fahrenheit warmer than the 1961-1990 average.

"This number is amazing," said Philip Jones, a climatologist at the University of East Anglia in England, speaking of a field in which records are normally set in fractions. Mr. Jones provided much of the information on which Thursday's announcement was based.

While there are dissenters who believe the warmer climate can be ex-

plained by normal variation, the dominant view among climate scientists is that at least some of the warming trend is a result of emissions of heat-trapping gases like carbon dioxide, which is produced by the burning of coal, oil, natural gas and wood.

Despite the 1998 record, a number of scientists said they believed the world was most likely to be cooler in 1999 and possibly 2000 as well.

The reason, they said, is that a fair measure of the warming in 1998 can be attributed to the effects earlier in the year of El Niño. This is the extensive pool of warm water that develops from time to time in the tropical Pacific. It both warms the global atmosphere and disrupts worldwide weather patterns.

But even though a dissipating El Niño may allow some cooling next year, several experts said they expected the underlying global warming trend to continue and temperatures to remain above average in the immediate future. The findings about 1998 were not a surprise, since highly publicized analyses by federal scientists had made it clear since midyear that 1998 was shaping up as the warmest year on record.

Among other contributors to the UN agency's analysis were the NASA Goddard Institute for Space Studies in New York, the British Meteorological Office, the National Climatic Data Center in Asheville, North Carolina, the NASA Marshall Space Flight Center and University of Alabama in Huntsville, Alabama, the International Research Institute in New York and the Climatic Prediction Center in Washington.

Based on studies of indirect evidence

like the annual rings of trees, Mr. Jones has been saying for some time that he believes 1998 to be not only the warmest year in the thermometer record, but also the warmest year of the millennium now ending.

As new global high-temperature records have been established in the 1990s, they have usually exceeded old ones by only hundredths of a degree Fahrenheit at a time. But if the new estimate holds up, 1998 will top the 1997 record by about a quarter of a degree. The difference may seem small, but the world is only 5 to 9 degrees warmer now than in the depths of the last ice age.

According to the numbers announced Thursday, the globe is about 1.25 degrees Fahrenheit warmer than at the beginning of this century. Mainstream scientists project that the surface will warm by an additional 2 to 6 degrees over the next century if carbon dioxide emissions are not reduced, with the largest increases in temperate and subarctic latitudes.

Among other things, they say, this will make hot weather, droughts and floods more likely while reducing the number of extremely cold days, raise the level of the seas, cause climatic zones to shift and produce widespread environmental and economic dislocations.

Not all regions of the world have warmed in recent years, and each year there are some cool spots; in 1998, Eurasia was one of these. One place that has often lagged in the warming trend is the United States. But this year, according to an analysis by the Goddard center in New York, North America led the warming trend, experiencing its warmest year in the last four decades.

Subglacial Volcano on Iceland Erupts, Raising Risk of Floods

Reuters

REYKJAVIK — A volcano erupted Friday under Europe's biggest glacier, in Iceland, witnesses said, spewing smoke and ash 10 kilometers into the sky and threatening to melt large parts of the ice cap.

Scientists said the eruption under the Vatnajökull glacier, on Iceland's southeast coast, would not endanger populated areas in the country of 275,000. But it was not yet clear whether it would trigger widespread flooding.

"Flashes of lightning can be seen in the cloud and, if anything, the eruption seems to be intensifying," said Steinunn Jakobsdottir, a volcano scientist at Iceland's Meteorological Office. "Tremors signaling the eruption began at 0330 GMT and clouds of volcanic smoke reached an altitude of 10 to 11 kilometers by 0915 GMT," she said.

A planeload of scientists had flown to the eruption site on the rim of the Grimsvotn subglacial lake to see whether there was a risk of large blocks of ice melting and flooding the vast, uninhabited black-sand plains at the foot of the glacier, she said.

Iceland has one of the most active volcanic areas in the world. Its volcanoes are not of the cone-shaped variety common elsewhere in the world, but are fissures hidden under the glacier that covers 8 percent of Iceland.

The eruption occurred 250 kilometers (155 miles) from the capital, Reykjavik. There was no form of emergency alert so far.

Thursday

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Jackie Chan and director Brett Ratner. NYFA fans on the set of the "mega-hit" *Rush Hour*.



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THE WORLD'S DAILY NEWSPAPER

China Reaffirms One-Party Control

In Name of Stability, Jiang Vows to Crush Democracy Movements

By John Pomfret
Washington Post Service

BEIJING — A day after China put two dissidents on trial for seeking to form the country's first opposition party, President Jiang Zemin pledged to smash opposition to the Communist Party and vowed that China would never adopt Western-style democracy.

The wife of a third Chinese dissident, Xu Wenli, said, meanwhile, that she had been informed that her husband would be tried Monday for crimes related to attempts to form the party, known as the China Democracy Party.

Mr. Xu, a 55-year-old former sailor who spent 12 years in prison in the 1980s and 1990s for advocating democracy, could face 10 more years in prison for plotting "to overthrow state power."

He is one of approximately 30 people who have been rounded up across China during the last few weeks as security personnel have moved to suppress organized dissent.

Mr. Jiang made his comments in a speech given to mark 20 years of economic reforms that have changed the

face of the country. He stressed that the economy would continue to be dominated by the state-run sector. But he added that private enterprise also played an important role in China's development.

Mr. Jiang's speech underscored the party's current preoccupation with stability — a word he repeated throughout his 75-minute address, which was broadcast live on state television.

Strikes and protests have occurred throughout China in recent months as the country has slid into an economic decline, triggered in part by the Asian financial crisis. Chinese officials are concerned that moves, such as the establishment of an opposition party, could set off a huge social movement akin to the Tiananmen Square demonstrations of 1989 that could threaten the party's existence.

"From beginning to end, we must be vigilant against infiltration, subversive activities and separatist activities of international and domestic hostile forces," Mr. Jiang said.

He said that the authorities must oppose such activities "with a clear-cut

stand and resolutely nip them in the bud."

"The systems must not be shaken, weakened or discarded at any time," he continued. "The Western mode of political systems must never be copied."

A case in point is the party's treatment of a group of dissidents who tried to form the China Democracy Party this year. The group, including Mr. Xu and the two men who were tried Thursday — Wang Youcai and Qin Yongmin — tried to set up preparatory committees for the opposition party in 14 provinces and cities in an unusual show of support for the concept of an opposition party in China.

Mr. Qin was the first to apply for the party to be recognized, submitting his application on the same day that President Bill Clinton arrived in China for his meeting with Mr. Jiang in June.

For months, Chinese security forces hassled the participants but did not prosecute them. Several were arrested for a few days and then quietly released. Then, suddenly in early December, a roundup began. Today, about 30 dis-



"We must be vigilant" against subversive activities, Mr. Jiang said.

sidents are behind bars and the leaders of the movement have been charged with plotting to overthrow the state.

Mr. Wang, who was tried in Hangzhou, and Mr. Qin, who was tried in Wuhan, were denied the right to legal counsel.

Mr. Xu, however, was assigned a lawyer, Ying Shaoqing, to represent him in the case, which will be heard by the Beijing Intermediate Court.

Nobel Laureate Attacks Critics And Vows to Defend Her Book

The Associated Press

GUATEMALA CITY — The Nobel peace laureate Rigoberta Menchu, accused of distorting her autobiography, says she will "defend the book to the death."

In an interview with the newspaper *Nuestro Diario*, Miss Menchu called the criticisms of her book "political provocations" by academics. Their aim, she said, was "to try to discredit me."

But in the interview published Thursday she did not directly respond to allegations raised by a U.S. anthropologist, David Stoll, that her 1983 book, "I, Rigoberta Menchu" contained fabrications and exaggerations about her life and experience of racist oppression in Guatemala.

The New York Times, which reported Mr. Stoll's findings Tuesday, said a Times reporter also conducted interviews in Guatemala that contradicted Miss Menchu's account in the book.

In the interview, Miss Menchu accused her critics, saying: "What they are trying to do is erase the historical memory of all of the victims and the blood of all the Guatemalans."

Miss Menchu, a member of the Quiché people, said none of her accusers had been present "to see the suffering through which we passed."

Her book helped her to become an internationally acclaimed spokeswoman for the rights of indigenous people. She was awarded the Nobel Peace Prize in 1992.

The Nobel committee has said it is not concerned about the allegations.

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BOOKS

HIP-HOP AMERICA

By Nelson George. 226 pages. \$24.95. Viking.

Reviewed by Michiko Kakutani

IT has been more than two decades since hip-hop first surfaced on the mean streets of New York, and in those 20 odd years, it has evolved from a spontaneous form of neighborhood entertainment — small groups of kids break dancing and grooving to local party-masters rapping to mixes of old records — to a worldwide, multimillion-dollar business, encompassing not just music but fashion, videos, movies and advertisements.

In his knowledgeable, opinionated and often fascinating book "Hip-Hop America," Nelson George, the author of the critically acclaimed book "The Death of Rhythm

and Blues," chronicles the evolution of hip-hop, from its inception with artists like Grandmaster Flash and Kool Herc through its current state in the wake of the deaths of Tupac Shakur and Notorious B.I.G. He anatomizes hip-hop's post-modern aesthetic, situates its development within a social and political context, and provides the lay reader with quick, knowing sketches of some of its most influential producers (including Rick Rubin, Teddy Riley, Dr. Dre and Puff Daddy).

George does not pull his punches. He suggests that the mid-90s feud between East Coast and West Coast rappers "wasn't a feud at all, but a figment of the paranoid minds in the Death Row camp." And he challenges the myth that hip-hop was, in its earliest days, "solely African-American created, owned, controlled and consumed," arguing that "without white entrepreneurial involvement hip-hop culture wouldn't have survived its first half decade on vinyl."

George writes with the ardor of a longtime hip-hop fan (and close associate of many of the people who played a

formative role in its development) and the analytic detachment of a critic, and his book is animated by a passion for the music and frustration with its often insular point of view.

While he laments the misogynistic outlook of groups like 2 Live Crew and argues that "many folks raised on a hip-hop have bought into a very limited view of life," defined almost solely by the dogma of the streets, he is also quick to take issue with those who have lumped together highly disparate artists under the umbrella of gangsta rap and dismissed it as a nihilistic effort to appeal to angry suburban teenagers by trading on black stereotypes.

Gangsta rap, George argues, was a response to the crack epidemic of the '80s and the socio-economic plight of the black underclass under Reaganomics, and it played upon the familiar pop-culture tropes of rebellion and revenge while mirroring the alienation of inner-city youths.

As the crack epidemic has receded in the late '90s, gangsta rap has also waned, but its West Coast version (as packaged by Dr. Dre and Suge Knight), George says, will

endure "as an essential part of the historical memory of Southern California in the '80s and '90s."

Although groups like Public Enemy have tackled politics, hip-hop has never been an overtly ideological form; its practitioners, George points out, are "not social activists by training or inclination," but "entertainers whose visibility and effectiveness as messengers are subject to the whims of the marketplace."

Indeed, the central tenets of hip-hop (rebellion, aggression, materialism) have not only struck a chord with a mass audience of teenagers, but have also proved to be remarkably successful marketing tools for a host of products, from clothing to liquor to soft drinks.

George does not foresee hip-hop becoming co-opted and compromised the way soul music was in the '60s.

He argues that the social conditions that forged hip-hop — poverty, drugs, deteriorating schools — continue to be problems, and that hip-hop continues to reflect and internalize "our society's woes."

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YULE GET OVER IT By Frances Hansen

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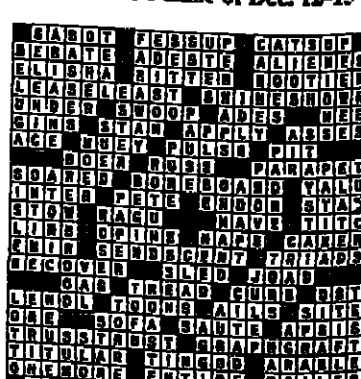
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- 20 "Anything for You" singer
- 22 Sound at the door
- 23 George of "Route 66"
- 28 Part of A.D.
- 29 [Out of my way!]
- 31 — Park
- 32 — world leader
- 33 Informal wear
- 34 Go (for)
- 35 Schroeder's predecessor as chancellor
- 36 Jackson known as "Mr. October"
- 37 Most sore
- 38 Fine fleece
- 39 Lullaby
- 40 Phrase of explanation
- 42 Top of a platter
- 43 Scythe handle
- 46 In a sluggish way
- 47 Department store department
- 48 Fraternity letter
- 49 Musical vamp
- 50 Whatever
- 56 Site of a 1943 Allied victory
- 57 Academy head
- 60 Super Bowl III hero
- 61 Awry
- 63 Puppeteer Bill
- 64 — even keel
- 65 Queen's land
- 66 Chess log
- 67 Flip, in a way
- 68 Easy chair style
- 71 Flattened
- 72 W.W. II beachhead
- 73 Word
- 75 A.L. until 1980
- 76 Trans-Pacific shipping point
- 78 Celestial beings
- 80 Flamen
- 81 Binge

DOWN

- 82 Worldwide workers' grp.
- 89 Blue —
- 90 Scrappy fellow?
- 91 Like shoes
- 92 Nicholas III's family name
- 93 Zero in (on)
- 94 "Sunset Boulevard" actress Nancy
- 95 Experienced
- 96 Soft drink Mr.
- 97 Regarding
- 98 Porn
- 99 Biological suffix
- 101 Academic types
- 102 "— pinch of salt."
- 103 Frenchman
- 104 It begins "In the first year of Cyrus..."
- 105 Not a grade to be proud of
- 107 Call — day
- 108 Rita Hayworth's Khan
- 109 Relig. school

Solution to Puzzle of Dec. 12-13



صحة من الاصل

ART

Two Paths in the Landscape Claude Lorraine: The Drawings of a Master Painter

By Souren Melikiam
International Herald Tribune

LONDON — Art historians have yet to address one of the great enigmas of Western culture: What is it that made the aesthetics of drawing, practiced as a preliminary step to the execution of pictures, and of oil painting diverge so far in the 17th century that they often seem to be the work of different artists?

As they gaze at the dazzling exhibition at the British Museum of works on paper by one of the greatest European masters (until Jan. 10), the question will haunt visitors familiar with the painted oeuvre of Claude Gellée, known as Claude Lorraine because of his birth in the Lorraine, in present-day France.

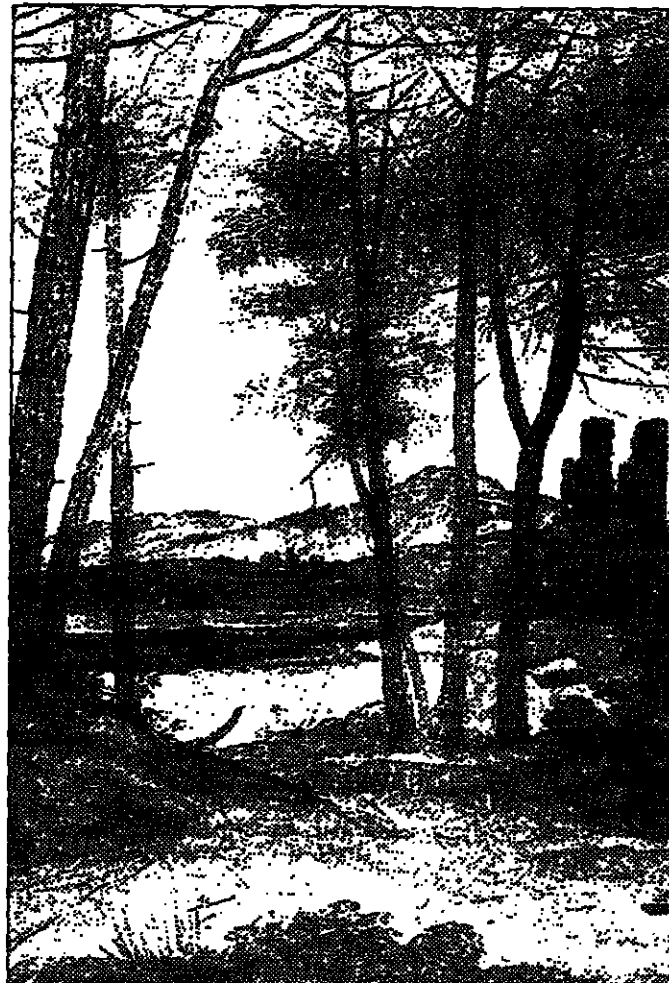
What little is known of the artist's life sheds no light on the subject. Possibly born about 1604-1605, Claude, who was trained as a pastry cook according to one source, left Lorraine with his elder brother Jean, a maker of intarsia, a type of marquetry. After staying some time in Freiburg im Breisgau, the brothers went to Rome where Claude entered the service of the painter Agostino Tassi, apparently in a menial capacity. The boy, still in his teens, then worked for a year in Naples with the German landscape painter Gouffier (Goffredo) Wals and came back to Tassi, this time to train in his studio for five years.

His native Lorraine briefly tempted the young artist. Hired to work as an assistant by Claude Deruet, he took part in the execution of frescoes in a Carmelite chapel, but the call of Rome proved irresistible. Back by 1627, the painter received several commissions to execute frescoes in Roman palaces, and soon acquired a reputation as a painter of landscapes and harbor scenes. Claude was launched.

Beyond these bare facts, much escapes us: Who was the predominant influence in his work, which initial stages he went through, and not least, how he acquired his drawing skills.

The earliest sketch in the show, probably dating from about 1630, is an exquisite piece suggestive of a quiet summer day in the countryside. The broad sweep of a lane curves up with a powerful thrust over a small arched bridge, and leafy trees spring up by the roadside. All is said in a few touches that speak of a deep love of nature. For the next 30 years or so, Claude would not cease to jot down visual notes of impressions caught in the course of long walks in Campagna. He did it with a freedom and boldness that no one had yet displayed.

In 1635, standing on the bank of a torrent tumbling over rocks, Claude sketched a mount topped by spindly



"A Grove of Pine Trees With a Ruined Tower," by Claude.

lonely figure looking like a puppet in a shadow theater seems to be there solely as a reminder of human frailness in the immensity of nature. Far more allusive than his painting and yet as powerfully composed, the drawing straddles the border between the blottesque manner and the carefully worked landscapes in which Claude also indulged.

But his elaborate drawings were equally far removed from his pictures. "A Grove of Pine Trees With a Ruined Tower" is a composition that has no equivalent in Claude's painting. Tall pine trees rising to the upper limit create a vertical rhythm. Beyond, a watery expanse sends back steel reflections of a white sky and, farther still, dark hills slope up to a mound on which the corner piers of a ruined tower stand in the twilight. The artist, aware that he had created one of his great works, carefully signed it.

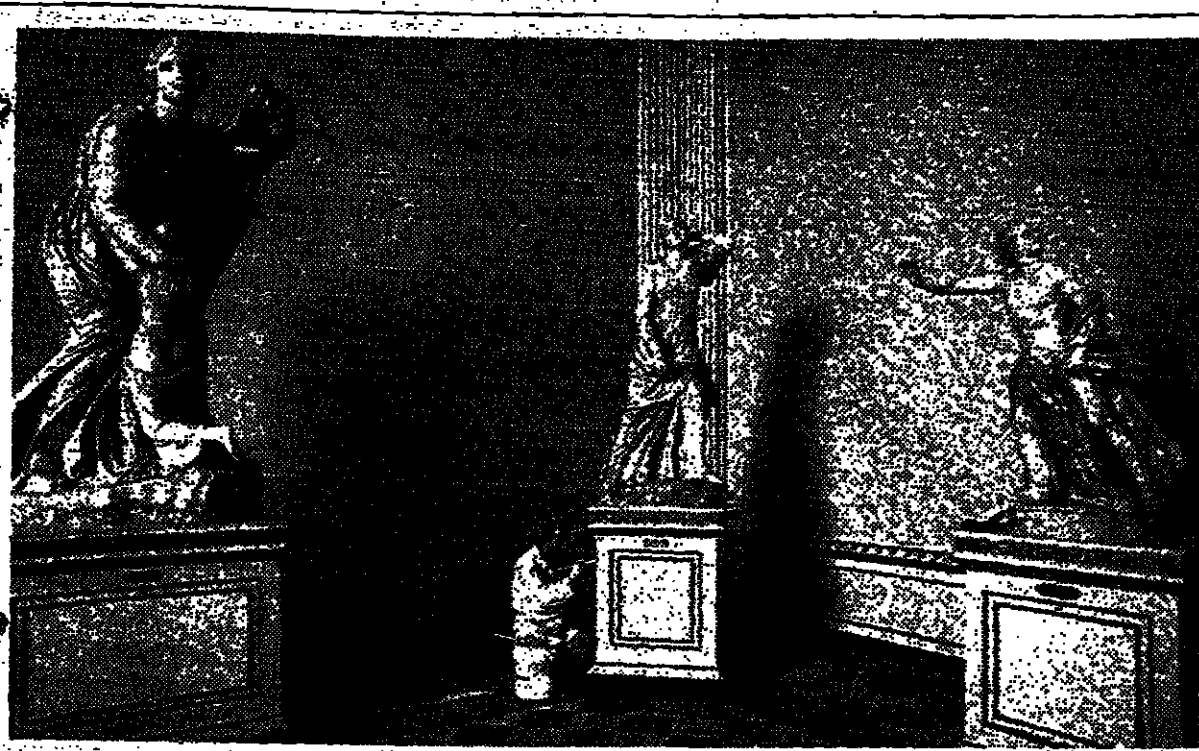
Claude the draftsman appeared to see things that barely caught the eye of Claude the painter. He zoomed in on details that are lost in his oil paintings. In a close-up view of the banks of a brook at Subiaco done in black chalk with pen and brown ink, also signed, and dated

1637, the artist reveals himself as a subtle observer of water plants, rocks and boulders that one would be hard put to detect, looking at his landscapes.

Most curiously, Claude metamorphosed his oil paintings the minute he interpreted them in pen and brown wash in order to keep a register of what he had done. When copying "Pastoral Landscape With Castel Gandolfo," he brought it back to essentials. The light and shadow effect has acquired a new intensity. The lake in the distance, curiously sketched, has become elusive.

EVEN when drawing in a highly finished, painterly manner, Claude would create compositions that differ utterly from his pictures. Nothing among these resembles the beautiful "Bank of Trees," in black chalk heightened with wash, done in the late 1640s. The slanting composition, the compact, close-up effect are never found in Claude's painted landscapes — here again the draftsman signed a work deemed to be important.

The infinite diversity of Claude's graphic oeuvre, its unbridled freedom are extraordinary. They point to a parallel mode of creativity, as if the artist cultivated his private garden, far from the high and mighty for whom he plied his trade. This case of artistic split personality comes out in this show as rarely before. Those who are able to go to the exhibition should not miss the chance to see the largest assemblage of masterpieces in pen or pencil by Claude ever put together.



A worker in the Uffizi Gallery applying the finishing touches to a statue damaged in the 1993 bombing.

Uffizi Glows as Italy Updates

By Alessandra Stanley
New York Times Service

FLORENCE — Visitors long found the entrance hall of the Uffizi Gallery to be about as warm and welcoming as Lenin's Tomb. People lined up outside for hours, and for the last 10 years vast rooms on the ground floor were closed off and used for storage. After a 1993 bombing attributed to the Mafia killed five people and damaged dozens of artworks, the ground floor was crisscrossed with rubble from the explosion.

This week, Italy unveiled what it calls the New Uffizi, a major renovation that in addition to repairing damaged rooms added more than 20,000 square feet of museum space, including a new annex for a collection of 144 artworks that have never been shown before. It is the most recent and stunning example of how Italy is seeking to renovate its 760 state museums and monuments and introduce contemporary forms of merchandising at the most important sites.

The Uffizi Gallery, built for the Medici in the 16th century by Giorgio Vasari, possesses some of the most famous artworks in Europe, including Botticelli's "Birth of Venus" and Leonardo da Vinci's "Annunciation." It has long been one of the most eagerly visited museums in Italy. But until this week, tourists who tried to check their coats, buy a postcard or grab a sandwich did so in cramped, dingy places more reminiscent of a bus station than one of the world's most important museums.

The opening of the New Uffizi, which cost the government \$15 million (a third of which was raised through the national lottery), is the first step in a plan to triple the museum's exhibition space by 2000.

The effort to capitalize on Italy's extraordinary assemblage of museums is growing. This year, for example, the Palazzo Massimo in Rome, a collection of ancient Roman art, was created from

the reorganization of the national Roman museum. After closing for a year for repairs, the late-19th-century wing of Rome's National Modern Art Gallery reopened last week. And last year, the modern art museum unveiled a restored wing devoted to early-19th-century art as well as a chic restaurant with terrace dining overlooking the Villa Borghese.

Palazzo Barberini, a national gallery known for its collection of Renaissance and Baroque art, was once famously neglected. This year it opened a bookstore, a new entrance and beautifully renovated exhibition rooms.

In addition to killing five people, the 1993 bombing in Florence destroyed two priceless paintings. But it also uncovered hidden treasures, 18th-century frescoes that were long painted over. A building attached to the Uffizi that was badly damaged by the bomb has been unveiled as a new wing containing the Contini Bonacossi collection of 144 artworks, including a painting by Giovanni Bellini and a sculpture by Gian Lorenzo Bernini.

The collection was donated to the Uffizi in the late 1950s, but the gallery had no room to show it, so the paintings were stored in the nearby Pitti Palace, where scholars could view them only on special request.

Until the bombing, that part of the Uffizi had been divided into private apartments and rented out by the state. The government reclaimed the apartments after the bombing, and workers discovered and restored the frescoes. "The paintings we lost we will never recover, but we refound the apartments," said Mario Lotti Gherzi, superintendent for architecture and environment in Florence. "The bomb gave us back apartments we would never otherwise have gotten."

The improvements were long awaited. "It should have happened a lot sooner," Antonio Paolucci, the city's superintendent of fine arts and the former minister of culture, said rather grumpily as he led a tour around the

newly restored 60,000-volume art book library on the second floor, which had also served as a warehouse. "Italy has finally realized that its art is a formidable instrument for economic and social progress," he added. "Let's face it, Italy is not first in anything anymore except its artistic heritage."

Last year Walter Veltroni, then the minister of culture, ordered some major museums to stay open until 11:30 P.M. on summer weekends. This year the number was doubled to 69. Almost 30 museums, including the Uffizi, now stay open until 10 P.M. every working day from April to October. In the last two years, Italy has added 30 bookshops and six museum cafés.

Veltroni was replaced in October when the government of Romano Prodi was ousted. But his successor, Giovanna Melandri, is eager to keep his experiment going. Veltroni's plan to hire 1,000 students and college graduates as guides in 44 principal museums on weekends is expected to start next month, after a 1999 budget is passed.

BUT Italy's transition to the modern museum age is not uncontested. Museum workers are union members, and they have long viewed the ministry's efforts to lengthen museum hours and reduce full-time personnel with suspicion. In Italy it is almost impossible to dismiss state employees, but the ministry has reduced the numbers by not replacing museum workers who retire.

Unions initially supported the changes, hoping that the renovations and increased spending would create more museum jobs. Now, however, they complain that the government wants more work done by fewer workers. "There's a big problem with the New Uffizi," said Enzo Feliciani, a union representative in Florence. "The bookstore, the ticketing booth all seem great, but they risk being closed down right after they open because there won't be enough employees to staff them."

Art That's a Dragon With Two Heads

By Holland Cotter
New York Times Service

NEW YORK — For most people who grew up in postwar America, China was invisible. One of the world's poorest, most populous and politically most powerful countries, it was certainly there, but only as an enigma, a huge Forbidden City.

No one from the outside (the superstition ran) could get in; no one on the inside could get out. A battered-down version of Marxist communism, culminating in the fanaticism of the Cultural Revolution of the 1960s and '70s, was in place, as elaborate in its hierarchies and protocols as any religion or imperial dynasty. Devotion was obligatory; dissent could be lethal.

Within a few years of Mao's death in 1976, things started to change. The political orthodoxy held firm; the deaths in Tiananmen Square proved that. But with the arrival of a capitalist economy, cultural innovations kicked in and everyday urban life turned surreal. Kentucky Fried Chickens hatched in Beijing; once-reviled imperial monuments were rehabilitated as theme parks; Cultural Revolutionary campfire songs were set to a rock beat.

And bit by bit, China came West. During the 1980s and '90s, contemporary Chinese culture, sometimes tailored to non-Chinese tastes, gained an international presence. Fiction by mainland writers regularly appeared in English. The opera "Marco Polo" by Tan Dun was produced in New York last season. Films by Chen Kaige ("Farewell, My Concubine") and Zhang Yimou ("Raise the Red Lantern") have picked up awards and played at Manhattan theaters.

Rumors of official muscle-flexing also buzzed around the Guggenheim Museum's "China: 5,000 Years" last spring, when the show's selection of avant-garde art, much of it produced since 1989 and marked by Western contemporary influences, was suddenly jettisoned, for lack of floor space, the museum said.

As it happens, vanguard work made it to New York this fall in "Inside Out: New Chinese Art," an exhibition organized by the Asia Society in Manhattan and installed there and at the P.S. 1 Contemporary Art Center in Long Island City, New York (through Jan. 3). It is a broad-spectrum look at new work from across the Chinese-speaking world, including the mainland, Taiwan, Hong Kong and artists living abroad.

The result is a sprawling affair, a pileup of media, styles and philosophies, from brush and ink painting to installation art, mock-propaganda to Pop, Dada to Daoism, exemplars of a "global" art that promises to have increasing visibility in the years to come. The question is: How well does it play in the West? There are problems. Hard-core admirers of the

Chinese classical tradition — a tradition entirely about tradition, about transmitting a cultural ideal intact from one generation to the next — are likely to dismiss much of the new work out of hand as trendy, incoherent, barely Chinese at all.

But anyone coming from deep inside Western contemporary art, with its fixation on ceaseless novelty, may find the art uncool for other reasons, seeing, at first glance anyway, only familiar Western styles — Surrealism, Conceptualism and so on — warmed over and, here and there, updated with post-modern twists.

Neither view is entirely wrong. But they both miss the wider, more complicated, often contradictory story of an art that has only been around for a decade and a half and is changing at lightning speed.

Emerging from a country that is juggling a Communist government and capitalist economy, the new Chinese art seems increasingly to be looking backward as well as forward, interweaving styles that the impatient West feels it knows all too well with traditions that it barely understands at all.

As to how this new Chinese work emerged, some comparative history is helpful.

In America, the decades after World War II were an explosively inventive time for art, with Abstract Expressionism giving way to Happenings, Minimalism to Earth Art, in a kind of fever-chart sequence.

In China during roughly the same years, and particularly during the decade-long Cultural Revolution, the officially sanctioned art style was Socialist Realism, along with certain folk and popular styles. Traditional painting was tolerated, sometimes even avidly encouraged, though it was often politically tinged. With doors to the West shut for more than 20 years beginning in 1950, updated information on modern art, which had had an impact on China earlier in the century, was scant.

With the collapse of the Cultural Revolution, outside information arrived fast, giving a generation of artists born after 1949 — which means almost all of the artists in the Asia Society show — a crash course in Western art history from Giotto to Jeff Koons. Contemporary work in particular offered exhilarating possibilities: fresh formal options, a shot at the international mainstream, and — initially, at least — a vehicle for political resistance.

Art in China has always been about power. Its aura of timeless, near-mystical authority has been called upon by every ruling class — imperial or Communist — to advertise legitimacy. It has insured social advancement for artists and patrons alike. To a degree only sporadically true in the West, it has been a primary medium of intellectual discourse.

Whether artists were attached by appointment to the court or by profession to the academy, or were living in disaffected retreat from both, they were expected to comment critically, if obliquely, on the

world around them through a narrow vocabulary of coded images, most of these drawn from nature.

This "commentarial" impulse was much evident in the new art of the 1980s. With the Cultural Revolution still fresh in memory, young artists began filtering its aesthetic preferences through off-the-rack Western models. Socialist Realism was retitled as an ambivalently debunking style known as Political Pop, with Mao as a central image.

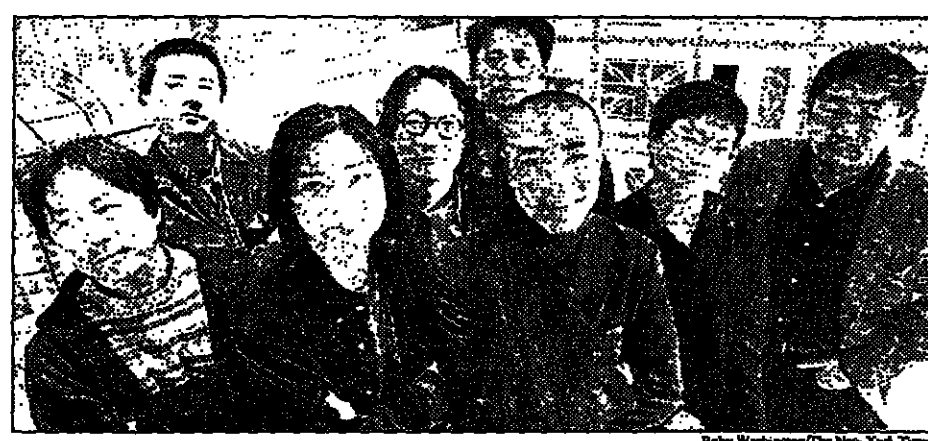
For decades, Mao's droopy, pear-shaped face had loomed over China like an all-powerful Oz, intimidating and reassuring, a revered but crotchety parent, subject to mood swings and with a dangerous mean streak. In a well-known triple oil-on-canvas portrait by the early Political Pop artist Wang Guangyi, Mao is seen as a gray marmoreal presence set behind a grid of solid black lines, as if he or the viewer were confined behind, and perhaps protected by, prison bars. With its debt to Warhol, it is an ambiguous image, reflecting to some degree the general popular attitude toward Mao in China: critical but, as the horrors of the Cultural Revolution are softened by time, also deeply nostalgic.

A 1990s painting trend known as Cynical Realism shifts its attention away from a revolutionary past to an equally, if differently problematic, present: a rapidly Westernizing China of stampeding commercialism, bureaucratic corruption and social inequities.

Interestingly, Cynical Realism — represented by artists like Cao Yong and Song Yongping, both of whom appear in the show at the Asia Society — sells well on the Western-based market and so has become part of the capitalist system it rebukes. And at least one of its most visible exponents, Fang Lijun, a member of the early 1980s avant-garde, has become a wealthy man.

FANG'S signature images of yawning, bald, look-alike men originated as a version of peasant figures and may convey a sense of existential ennui to Western eyes. But among some of his colleagues, he is regarded as a self-out, producing rote, sure-fire pictures for money, while enjoying the rewards of haute-bourgeois privilege in Beijing.

An entrepreneurial avant-garde of the kind Fang represents has long been familiar in the West, perhaps most recently in the high-priced "consumer critique" Neo-Geo of the 1980s. And it is fast gaining ground in China. But few vanguard artists at the moment share his luxe life style. Art still falls into officially approved and disapproved categories, with certain forms — installation art, in particular, with its often disruptive physical presence and hard-to-read open-ended meanings — seen as especially likely to convey problematic messages.



Some of the 80 artists taking part in the Asia Society show "Inside Out."

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8 Bourses Discuss Link For Europe

No Accord Announced
On Which Indexes to Use

LONDON — The heads of eight European stock exchanges met in London on Friday for a second round of talks aimed at creating a pan-European exchange in leading stocks.

But the group announced no breakthroughs on the key questions of which stock indexes would be used by the alliance, a crucial issue for all investors as the euro approaches in January, and the group's ownership structure.

The meeting is part of a growing trend of cooperation among European bourses before the introduction of the single currency. Four more exchanges signed up Thursday to plan for a parallel market in fast-growing companies.

Bourse officials declined to comment on the one-day meeting at London Stock Exchange headquarters. A spokesman for the exchange said that the talks were private and that no substantive statement was expected.

The London meeting followed a gathering of exchange chiefs in Paris on Nov. 27 that set up a committee to begin work on creating a single market for about 300 leading European stocks.

The meeting Friday was attended by the heads of the exchanges in London, Frankfurt, Paris, Amsterdam, Brussels, Madrid, Milan and Zurich. Sources said the group would concentrate on the same areas that it had discussed in Paris, including regulation, technology, indexes, market rules, settlement and clearing and common structure.

The first step toward the creation of a European market in blue chips will be taken on Jan. 4, when the London and Frankfurt bourses inaugurate an access package to coincide with the first working day of the euro.

That will provide a single point of entry for leading British and German stocks.

The London meeting came soon after another gathering of bourses in Stockholm, where agreement had been reached to expand the Euro-NM network of exchanges for growth companies.

Under that plan, Euro-NM, whose network currently includes Amsterdam, Belgium, Frankfurt and Paris, would bring in bourses in Milan, Stockholm, Copenhagen and Zurich.

Stockholm Decides Not to Join

Sweden's OM Grupp AB, which owns the Stockholm bourse, says it has dropped the idea of joining a pan-European exchange but will instead pursue its aim of integrating Nordic derivatives and stock exchanges, Reuters reported from Stockholm.

Stockholm's derivatives exchange is Europe's fourth-largest in terms of contracts, while its bourse is the eighth-largest.



Dr. Venkataswamy says that eye care in developing countries should be marketed like American fast food.

The Volume-Discount Vision of Dr. V

Indian Entrepreneur Cuts Costs to Give Sight-Saving Surgery to Poor

By Miriam Jordan
International Herald Tribune

MADURAI, India — Govindappa Venkataswamy has a vision — to eradicate avoidable blindness in his lifetime — and a prescription for accomplishing it: high-volume, high-quality eye care at low cost around the developing world.

"The secret is commitment and a market approach," said Dr. Venkataswamy, an 80-year-old Indian ophthalmologist who argues that eye care in developing countries should be marketed like American fast food.

"My model is McDonald's," he said. "They serve the identical hamburger, with the same efficiency, at thousands of outlets."

Already, his Aravind Eye Hospital restores sight to more people than any other hospital in the world. This year, the main hospital and its three branches in the southern state of Tamil Nadu are expected to operate on 150,000 people, mainly cataract patients. Each surgeon at Aravind performs about 2,000 cataract operations annually, compared with an Indian average of 250.

Efficiency at Aravind is a case study at Harvard Business School. Several U.S. medical programs send residents to the hospitals for training. Health officials from China, Nepal and Indonesia, among others, have come knocking at Dr. Venkataswamy's door for advice. The World Bank, sponsor of a multimillion-dollar blindness-control project in India, has enlisted Aravind in its training efforts.

"It's not hype; it's the real thing," said Morton Goldberg, director of the Wilmer Eye Institute at the Johns Hopkins University School of Medicine, which sends residents to Aravind each year. "It takes a unique combination of devotion, technical skill, managerial and organizational ability and entrepreneurship. They are doing it without cutting any corners."

Cataracts, or the gradual clouding of the eye's lens with age, cause about 80 percent of reversible blindness. A 20-minute procedure to remove the blurred lens and implant a plastic one cures most people before the condition deteriorates into blindness.

In India, about 17 million people, many of them as young as 40, suffer from cataract problems. Though about 3 million cataract surgeries were performed nationwide in

1997, hospitals cannot keep up: Another 4 million Indians become blind each year.

Dr. V, as he is known to staff members and friends, believes hospitals can cure all the needy, if they follow sensible business practices. With no state aid and little foreign assistance, Aravind Eye Hospital provides two-thirds of its surgeries free. Yet the private hospital turned a \$2.4 million profit in its last financial year.

Dr. Venkataswamy lowered the unit cost of surgery by raising volume and inspiring among his staff a commitment that propels many to work 12-hour days, six days a week.

In the surgery rooms, a single large microscope swivels between two operating tables to maximize the time each doctor can operate. As soon as doctors complete one procedure, they turn to the next table and begin work. Meanwhile, the table used previously is prepared for the next patient.

"It's very efficient without sacrificing patient care," said Roy Loo, a resident from the Greater Baltimore Medical Center doing a stint at Aravind. "This place is nothing short of amazing."

Dr. Venkataswamy began his drive against blindness as a young doctor in the state-run health system. But it was only when he retired, at 58, that he sunk his life savings into his own 11-bed clinic. That clinic flourished into his present 1,300-bed network of hospitals.

The hospitals have state-of-the-art equipment but no frills. Patients are moved on canvas stretchers fitted with bamboo poles. Paraphernalia: manager administrative and counseling tasks, which otherwise might eat into surgeons' time.

Five years ago, Dr. Venkataswamy acquired the technology from the United States to start producing intraocular lenses, which until then had been imported at huge expense. Besides bringing down the retail cost of lenses on the Indian market, Aravind now sells to 75 countries at about a quarter of the U.S. price. Six months ago, Aravind also began producing its own suture needle, a tiny needle with thread it uses for eye surgery, using German technology.

Paying patients subsidize sight for Indians who cannot afford to pay. In Madurai, the hospital is split into two wings. Patients in the commercial wing pay about \$130 for

See HOSPITAL, Page 15

Wall Street Shrugs As Missiles Hit Iraq

U.S.-U.K. Attack Considered 'Ho-Hum Event'

By Ianthe Jeanne Dugan
Washington Post Service

NEW YORK — What if they threw a war and nobody cared?

For world financial markets, it might have looked something like that this week.

The U.S.-British air attack on Iraq was widely expected to reverberate through Wall Street.

Instead, the Dow Jones industrial average trudged up only 85.22 points, or 1 percent, to 8,875.82, on Thursday, and added only another 27.81 points Friday, to 8,903.63.

Defense companies were supposed to get a boon. Instead, the whole sector slumped.

Oil prices and oil company stocks were going to soar amid investors' concerns about strife in the oil-rich Gulf. They sank.

As for the dollar, which typically draws investors at a time of global turmoil, it fell, too, against most other major currencies.

"War?" asked Marion Kessler, a portfolio manager at Crabbe Hudson in Portland, Oregon. "What war?"

If there was a message from the public about the biggest military action since the Gulf War, it was articulated by investors. They were cynical about the timing, convinced it would pass quickly and have little effect on the price of oil or geopolitics.

The currency markets, the bond markets — everybody shrugged it off," said Dara Khambata, a professor of international economics at American University. "I'm surprised. I thought there

would be more turmoil."

The bombing may have heartened the markets, Mr. Khambata said, but only because it delayed an impeachment vote by Congress.

Investors also apparently think the strike will end swiftly, creating little need for new military equipment. So major defense stocks slumped.

"The degree of complacency is incredible," said Ms. Kessler, who has major investments in Lockheed Martin Corp. and Northrop Grumman Corp. "People seem to think it's orchestrated, like they're watching theater. It's depressing."

By the time the market opened on Thursday, the oil fields in Iraq were still intact, alleviating fears that the supply of Iraqi oil sold under the United Nations oil-for-food program was in jeopardy.

On the New York Mercantile Exchange, crude oil for January delivery slumped 11 percent on Thursday, the biggest one-day drop since the beginning of the Gulf War on Jan. 17, 1991 and was down 11 cents, at \$11.92 in late trading Friday.

"This script has already been played once this decade," said Ned Riley of BankBoston, pointing out that the world oil supply was virtually unaffected by the Gulf crisis. "Most people considered this a no-hum event."

Worldwide markets were equally unaffected.

In Europe, investors seemed indifferent, as did those in Tokyo.

"Investors see this action as having only limited impact on the economy,"

See MARKETS, Page 12

Fed Expected to Keep Status Quo on U.S. Rates

By Richard W. Stevenson
New York Times Service

WASHINGTON — A political crisis is unfolding at home and a military action is under way abroad. But when the Federal Reserve Board meets to consider interest-rate policy Tuesday, it will face an economic outlook that, while complex and a bit confusing, is more stable than it has been for months.

The fear that had threatened to paralyze the bond market this autumn has ebbed, though it has not disappeared. The stock market is robust again, bolstered by spending by consumers, who are also benefiting from the strongest growth in real income in years.

Manufacturers and farmers continue to be hit hard by the global financial crisis, but even they got good news Wednesday when the Commerce Department reported that the trade deficit in October was \$14.2 billion, much lower than expected, and that exports grew 2.8 percent. Asia is showing signs of stabilizing, and Brazil has managed to avoid a meltdown.

Talk of a recession in the United States in 1999 has evaporated. And not only do analysts expect that the Fed will leave rates unchanged Tuesday after cutting rates three times in the past three months, but chances are increasing that the central bank will remain on hold for months to come.

Rosanne Cahn, an economist at Credit Suisse First Boston, said, "The economy has proven stronger than they thought when they were easing, and the prospects for slowing ahead are much diminished, both on account of the consumer and the reopening of the fixed-income markets to new issues."

Heading into 1999, Ms. Cahn said, "The Fed will be on hold unless there is another financial market disturbance."

Following its last rate cut, on Nov. 17, the Fed's policy-making Federal Open Market Committee signaled that it might hold off on further reductions, saying that financial conditions "can

reasonably be expected to be consistent with fostering sustained economic expansion."

Still, Alan Greenspan, the Fed chairman, and several other Fed officials have remained concerned that financial market strains could put the nation's long expansion at risk if not reversed. By some measures, those strains have eased considerably; companies are finding it easier to issue new debt, for example.

But by others, the problems remain significant. In particular, the spread between the yield on U.S. Treasury bonds and riskier forms of debt remains abnormally high, suggesting continued risk aversion on the part of investors and a lack of demand from hedge funds, banks and securities firms that suffered big losses in the spasms that gripped the markets in late summer and early autumn.

Yet Fed officials are closely studying the real economy as well as financial conditions. They see an economy that is slowing somewhat, rugged between the strength of consumer demand and weak and still fragile conditions in the industrial sector.

The risk of a marked slowdown in growth appears greater to them than the risk of a rapid acceleration in growth, they said.

The strength of consumer demand will be driven to a large degree by the stock market. While another big surge on Wall Street is by no means out of the question, they said, anything short of significant increases in paper wealth is likely to bring some slowdown in the growth of consumer demand.

On the industrial side of the economy, much will depend on the recovery of export markets. Trade figures Wednesday were a hopeful sign, showing a rebound in exports of food, semiconductors and computer accessories and manufactured goods. Most big export markets, though, seem more likely to be flat or weaker in 1999 than to be stronger, Fed officials and analysts said.

Citigroup Rushes to Integrate 2 Banking Cultures

By Joseph Kahn
New York Times Service

NEW YORK — Citigroup, shaken by leadership turmoil in its early days as America's largest financial services company, has sped up the integration of its banking units in a headlong effort to prove that commercial bankers and investment bankers can mix.

In the weeks since the co-chairmen of Citigroup — the financial giant formed by the merger of Citicorp and Travelers Group — ousted their heir apparent, Jamie Dimon, from his post, the investment bankers from Travelers' Salomon Smith Barney investment banking unit have been ordered to find a way to merge most of their operations with the corporate banking side of Citicorp. Michael Carpenter, one of the two people charged with leading the combined bank, calls this "the third way, the Citigroup way."

It is certainly a new way. Investment bankers from New York to Sydney are moving in with their commercial-bank counterparts, putting their product lines together and making joint calls on corporate clients like News Corp., Seagram Co. and Monsanto Co. The Citigroup merger became a formal reality only two months ago, but executives are already talking about 100 potential new banking deals made possible by closer cooperation between Citicorp and Salomon bankers.

Integration appears to be happening faster — and reaching deeper into the organization — than envisioned in the earliest days of the merger. Like fingerprints dragged across a chalkboard, the ouster of Mr. Dimon and one of his chief deputies, Steve Black, has silenced the open squabbling that divided Citibank executives from their counterparts at Salomon Smith Barney, many people at the bank said.

But in the rush to meet a self-imposed year-end deadline to resolve outstanding conflicts, the merged company has also muffled important questions about how to balance vastly different commercial and investment banking cultures.

The fast pace of unification has pleased some within the company, who said they were surprised by how well the bankers from both sides have learned to work together despite the leadership turmoil. Spirits are also higher as word filters out that Salomon bankers, which many feared would be slashed from last year's levels, will probably keep pace with 1997.

Others, though, said the discord at the top confirms their worst fears about the financial supermarket envisioned by Sanford Weill and John Reed, the co-chairmen. Some predict that the forced march cordiality disguises smoldering battles, such as an ongoing clash about the fate of the combined entity's de-

rivatives units. Many there are also consumed by nuances, like whether London-based Salomon bankers will move to Citibank's offices in that city's Canary Wharf.

"My impression was that to make the merger a success, they would never try to mesh the two sides together," said Susan Weber, a finance industry expert with Jaquith Advisers and a former investment banker. "I am surprised they are trying to do it."

David Berry, a banking expert at Keefe, Bruyette & Woods, said he saw the pitfalls in a quick marriage of the banking divisions, but also the opportunities.

Many analysts said the most obvious synergies in Citigroup were on the consumer side of the business. The consumer banking, credit card, mortgage, insurance and retail brokerage units do not overlap much and open the possibility of cross-selling products through new distribution channels.

CURRENCY & INTEREST RATES

Cross Rates									
	USD	EUR	GBP	JPY	AUD	NZD	HKD	TWD	THB
Australian dollar	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
British pound	1.00	0.65	1.00	160.33	0.68	0.58	7.76	13.76	3.76
Canadian dollar	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
French franc	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
German mark	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
Italian lira	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
Japanese yen	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
New Zealand dollar	1.00	0.65	0.60	77.41	0.68	1.00	7.76	13.76	3.76
Portuguese escudo	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
Spanish peseta	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
Swedish krona	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
Swiss franc	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
Taiwan dollar	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
Thai baht	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
U.S. dollar	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
Yen	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76

Key Money Rates									
	USD	EUR	GBP	JPY	AUD	NZD	HKD	TWD	THB
3-month T-bill	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44
6-month T-bill	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44
1-year T-bill	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44
3-month Euro	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44
6-month Euro	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44
1-year Euro	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44
3-month UK	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44
6-month UK	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44
1-year UK	4.37	4.40	4.44	4.44	4.44	4.44	4.44	4.44	4.44

Forward Rates									
	USD	EUR	GBP	JPY	AUD	NZD	HKD	TWD	THB
30-day	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
60-day	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
90-day	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
180-day	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76
360-day	1.00	0.65	0.60	77.41	0.68	0.58	7.76	13.76	3.76

GM May Find No Easy Rides in China

By Seth Faison
New York Times Service

SHANGHAI — At the crowning moment in a balloons-and-marching-band ceremony to roll out the first Buick made in China, John Smith Jr., chairman of General Motors Corp., got behind the wheel of a shiny white 1999 sedan, strapped on his seat belt, and was unable to make the car move.

Mr. Smith reached down to release the emergency brake but could not find it. Instead, he popped the hood open. Only after engineers rushed frantically to his side was he reminded that the Buick brake release was a foot pedal. Finally on his way, he drove the Buick up a red carpet onto a broad stage to cheers from more than 2,000 staff members and guests Thursday.

"You don't use that brake in America," Mr. Smith said later, chuckling. It was a small fumble on a day that signified a first in General Motors' big plans to break into the car market here. But it hinted at the steep challenges facing the company in China, where oversupply and a heavily politicized bureaucracy exacerbate the already ample

difficulty in weaving together two vastly different car cultures.

General Motors is making a big bet on China, sinking \$2 billion into 16 ventures, mostly for auto components. The Shanghai plant is the biggest of them all, with 1,700 employees and plans to build 100,000 Buick sedans a year. The automaker's \$750 million investment in the factory is the single biggest American investment in China.

Chinese bureaucrats still wield tremendous influence over the industry. Although the 50-50 joint venture theoretically means decisions are shared with the Chinese partner, Shanghai Automotive Industrial Corp., the plant's being in China favors the local partner.

The fact that the first-car ceremony has been held already is an example. Shanghai General Motors will not begin regular production until April, but the Chinese partner insisted on rolling out the first Buick before the end of 1998 in order to keep to its state-mandated schedule.

Mr. Smith and other GM executives insist that they are happy with the arrangement and enjoy strong support from the Chinese government. They

also maintain that they will find a market for an expensive American sedan among the Chinese elite, who have in the past relied largely on imports of 100,000 vehicles a year from Japan and Germany, most of them smuggled to avoid sky-high tariffs.

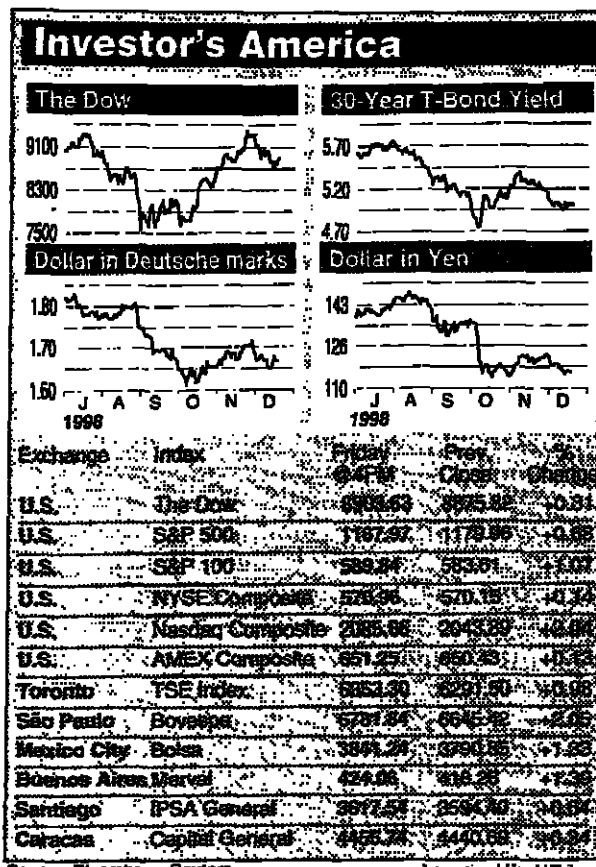
"We're confident that we'll meet our sales targets," Mr. Smith said. He also predicted that the Shanghai operation would turn a modest profit once it passed a mark of 40,000 to 50,000 cars, in perhaps the third or fourth year.

Many auto-industry analysts argue that General Motors is making the Buick here, and cooperating with Chinese demands that it bring up-to-date auto technology for a luxury car, because that was the only way to get into the car-assembly market here. Demand may balloon one day, but right now the market does not show a hunger for many high-end cars like Buicks.

Mr. Smith contended that GM was fully committed to making the Buick project a success, but he conceded that timing was a factor.

"I think it is extremely important to be in early," he said. "This is going to be a huge market."

THE AMERICAS



Alltel to Buy A Nebraska Phone Firm

Bloomberg News

LITTLE ROCK, Arkansas — Alltel Corp., which provides phone services to about 6 million people in the Southeast and Midwest, agreed on Friday to buy Alltel Communications Inc. for \$1.5 billion in stock to expand in rural Nebraska.

Alltel will pay \$39.13 for each share of Alltel and assume about \$131 million in Alltel's long-term debt. Shares of Alltel closed Friday 93.75 cents lower, at \$56.0625, while shares of Alltel were up \$6.4375, at \$37.3125.

With Alltel, Alltel will add 680,000 residential customers as part of a plan to expand in less-populated areas where there is not much competition. That goes against the trend at larger phone companies, which are seeking acquisitions that spread their reach in cities, in order to attract business customers.

"There's a huge opportunity in rural America to provide phone service," said Jeffrey Kagan, a telecommunications analyst in Atlanta. "They're not going to face intense competition and there's no urgency to roll out expensive new services."

The purchase is Alltel's second this year after its \$6.03 billion acquisition of the wireless phone company, 360 Communications Co., in July. Joe Ford, chairman and chief executive of Alltel, said "this merger makes the merged company a more formidable competitor."

Alltel, based in Lincoln, Nebraska, covers the entire state with its cellular operations and provides local and long-distance services in Lincoln and 22 counties in the southeastern part of the state.

Alltel has 290,000 wireless phone customers, 285,000 local phone lines, 25,000 Internet customers, and 70,000 long-distance phone customers.

"This is the Wal-Mart strategy," Mr. Kagan said, referring to Wal-Mart Stores Inc., the world's largest retailer. "There are plenty of rural communities that need service and there's not much competition."

The combined company will have \$5.3 billion in annual revenue, 6.3 million customers in 24 states, and 22,000 employees worldwide.

The companies expect the acquisition, which is subject to approval by Alltel shareholders as well as regulators, to be completed by mid-1999.

Easing of Airline Ownership Rule?

Virgin Atlantic Welcomes Possibility of Relaxation of U.S. Law

Bloomberg News

WASHINGTON — The U.S. government may propose relaxing a law that prohibits foreigners from owning more than 25 percent of a U.S. airline, Transportation Secretary Rodney Slater said Friday.

Increased access to the world's largest aviation market would come as part of a proposal to Congress next year to overhaul U.S. airline competition policy, parts of which date back to the World War I era, Mr. Slater said.

The inability of foreign carriers to take control of U.S. airlines has caused friction. Alliances between KLM Royal Dutch Airlines NV and Northwest Airlines Corp., and between British Airways PLC and US Airways Group Inc., both ended in divorce in recent years.

A relaxation of the 25 percent rule would be a very small gesture by the United States, said

Keith McMullan, an analyst at Aviation Economics, a London-based consultancy. "The most it would do is bring U.S. ownership laws in line with European ownership laws," European Union laws permit non-EU carriers to own 49 percent of airlines based in EU member countries.

Mr. McMullan said increased foreign investment in the U.S. aviation market could bring substantial benefits. He said there had been a trend recently toward cooperation rather than competition in the United States, and fares on many routes have increased, while service quality has declined. The market is in danger of being dominated by three big domestic airlines.

One reason of lifting the restrictions might be to make it easier for Richard Branson's U.K.-based Virgin Group Ltd., which owns Virgin Atlantic Airways, to achieve its aim of entering the U.S. domestic market.

Paul Moore, a Virgin Atlantic spokesman, gave a "qualified welcome" to Mr. Slater's statement. "There is a real opportunity to go into the U.S. market and offer a low-cost, high-quality airline — there would be clear synergies with Virgin Atlantic," Mr. Moore said. He added: "We want a Virgin-owned carrier to control the brand."

Mr. Slater said that "in some of the proposals that we've considered, the percentage could be higher," adding: "I believe that if we can go forward with a comprehensive aviation bill, this is something that should be addressed."

Mr. Slater did not say what percentage change the administration might propose. Some of Mr. Slater's own department deputies have publicly suggested it should be raised to 49 percent.

world's largest maker of athletic shoes and clothing said late Thursday that its second-quarter profit dropped 51 percent as the National Basketball Association's lockout hurt sales. While the decline was smaller than forecast, revenue fell more than expected, and orders for future delivery dropped 10 percent.

Treasury bond prices were little changed, with the yield on the benchmark 30-year issue steady, at 5.01 percent.

Nike stock fell 14 to 39.34. The

MARKETS: Wall Street Fails to Get Excited Over Crisis

Continued from Page 11

said Kenji Karikomi, general manager of the equity department at Daiwa Securities.

■ **Technology Stocks Rise**

Optimistic analyst reports on Intel and Compaq Computer sparked a rally in computer, semiconductor and software shares that sent the Nasdaq composite index to a record.

Computer companies' earnings have held up well; they're doing better than a lot of other areas," said W. Thomas Hudson, manager of the \$8 billion Lord Abbett Affiliated Fund.

While the Dow was only up 0.3 percent, the technology-laden Nasdaq composite index was up 41.78 points, or 2 percent, to 2,085.66, surpassing the previous peak of 2,050.42 set Dec. 9. The Standard & Poor's 500-stock index gained 8.05 points, to 1,188.03. Advancing and declining shares were about even on the New York Stock Exchange.

Investors showed little reaction to the debate on whether to impeach President Bill Clinton, or to the ongoing military attack on Iraq.

Intel rose 3/4 to 120, and Compaq rose 2 9/16 to 43 3/4 after analysts at Morgan Stanley Dean Witter & Co. issued bullish reports on the two companies, the biggest makers of

semiconductors and personal computers, respectively.

Cisco Systems and Dell Computer shares also gained.

Drug shares fell on a report that pharmaceutical companies are battling legislation in Congress that would reduce the price Medicare recipients have to pay for medicines.

The Allen Ball, introduced in September, would give elderly consumers discounts on drugs.

Nike stock fell 14 to 39.34. The

trucks and probably buses. Turbochargers add power to diesel engines.

"There's a real opportunity to apply this technology in the U.S. to passenger trucks, which have been gaining in popularity here," said Richard Hilgert, an analyst with Fiske & Stock, Inc. in Detroit.

Makers of auto and truck parts have been consolidating to broaden their product lines and to offer complete parts systems as automakers seek to cut manufacturing costs.

Borg-Warner shares closed 62.5 cents lower, at \$50.875, and Kuhlman jumped \$5.9375 to \$37.4375. (Reuters/Bloomberg)

Borg-Warner to Acquire Kuhlman

Compiled by Our Staff from Dispatches

CHICAGO — The auto parts maker Borg-Warner Automotive Inc. said Friday that it would acquire Kuhlman Corp., a supplier of turbochargers and engineered parts for commercial vehicles, for \$660 million.

Borg-Warner, which supplies auto parts to major auto makers, said it would pay Kuhlman holders \$39 a share. The deal includes cash, \$150 million of Borg-Warner stock and the assumption of debt.

The purchase of Kuhlman is the second for Borg-Warner in a month and allows it to expand into the market for turbochargers on

Dollar Slips Before Vote On Clinton

Bloomberg News

NEW YORK — The dollar slipped against most major currencies Friday on expectations that the U.S. House of Representatives would vote to impeach President Bill Clinton, sending him to a trial in the Senate.

"Holding U.S. assets is risky when you weaken the U.S. presidency," said Doug York, a fund manager with Campbell & Co. in Towson, Maryland. "Our country is in a grave state," he added, before

predicting that the dollar could fall to 108 yen and 1.60 Deutsche marks by the end of the year.

At 4 P.M. in New York, the dollar fell to 1.6550 DM from 1.6675 DM, but edged up to 116.30 yen from 116.25 yen.

The dollar pared steeper losses after President Saddam Hussein vowed in a speech that he would not give in as a third day of U.S.-led air strikes against Iraq began. John Cholakakis, a currency trader at Dai-ichi Kangyo Bank, said: "Saddam doesn't plan to back down. Things are going to escalate, so the dollar is benefiting as a safe haven."

Against other major currencies, the dollar was at 5.5840 French francs, down from 5.5925 francs, and at 1.3486 Swiss francs, down from 1.3490 francs. The pound rose to \$1.6810 from \$1.6733.

Traders said impeachment of Mr. Clinton may not drive the dollar down much further since that outcome had already been factored into the dollar's value.

The U.S. currency suffered in recent weeks on concern that the proceedings would distract the government and diminish the appeal of U.S. financial assets.

Concern that Latin America's slowing economies will stunt growth in the United States is also prompting investors to shun the dollar, analysts said. The United States conducts almost one-fifth of its trade with the region, traders said.

Brazil, burdened with a \$64 billion budget deficit, will receive \$4.5 billion in international aid on condition it cuts its budget and raises taxes. The economy is likely to shrink further next year, following a 1.5 percent contraction in the third quarter. "Brazil is still not out of the woods," said Francis Bredon, a currency economist at Lehman Brothers International in London.

The Trib Index

Prices as of 4:00 P.M. New York time

Index	Level	Change	% Change	Year to Date % Change
World Index	197.90	+1.05	+0.53	+14.96
Regional Indices				
Asia/Pacific	91.13	+1.44	+1.61	-5.14
Europe	227.46	-0.42	-0.18	+17.83
N. America	261.04	+2.70	+0.97	+30.12
S. America	81.38	+1.57	+1.97	-46.70
Industrial Indices				
Capital goods	292.96	+5.89	+2.05	+41.82
Consumer goods	230.80	-1.18	-0.49	+14.34
Energy	198.83	-0.57	-0.28	+2.50
Finance	136.82	+1.21	+0.89	+11.27
Miscellaneous	188.72	+0.66	+0.35	+25.91
Raw Materials	162.04	-0.47	-0.29	-3.11
Services	210.51	+1.74	+0.83	+20.77
Utilities	181.69	+1.07	+0.59	+8.88

The International Herald Tribune World Stock Index tracks the U.S. dollar value of 280 internationally investable stocks from 25 countries.

Compiled by Bloomberg News.

AMEX

Friday's 4 P.M. Close

The 200 most traded stocks of the day, up to the closing on Wall Street.

The Associated Press.

Stock	Sales	High	Low	Close	Change
IBM	1,100,000	110 1/2	110 1/4	110 1/4	+1/4
Microsoft	1,000,000	110 1/2	110 1/4	110 1/4	+1/4
Apple	800,000	110 1/2	110 1/4	110 1/4	+1/4
Oracle	700,000	110 1/2	110 1/4	110 1/4	+1/4
Amazon	600,000	110 1/2	110 1/4	110 1/4	+1/4
Google	500,000	110 1/2	110 1/4	110 1/4	+1/4
Yahoo	400,000	110 1/2	110 1/4	110 1/4	+1/4
Alibaba	300,000	110 1/2	110 1/4	110 1/4	+1/4
Facebook	200,000	110 1/2	110 1/4	110 1/4	+1/4
Twitter	100,000	110 1/2	110 1/4	110 1/4	+1/4
LinkedIn	90,000	110 1/2	110 1/4	110 1/4	+1/4
Slack	80,000	110 1/2	110 1/4	110 1/4	+1/4
Dropbox	70,000	110 1/2	110 1/4	110 1/4	+1/4
Zoom	60,000	110 1/2	110 1/4	110 1/4	+1/4
Webex	50,000	110 1/2	110 1/4	110 1/4	+1/4
GoTo	40,000	110 1/2	110 1/4	110 1/4	+1/4
LogMeIn	30,000	110 1/2	110 1/4	110 1/4	+1/4
TeamViewer	20,000	110 1/2	110 1/4	110 1/4	+1/4
AnyDesk	10,000	110 1/2	110 1/4	110 1/4	+1/4
UltraVNC	9,000	110 1/2	110 1/4	110 1/4	+1/4
RealVNC	8,000	110 1/2	110 1/4	110 1/4	+1/4
Remmina	7,000	110 1/2	110 1/4	110 1/4	+1/4
Guacamole	6,000	110 1/2	110 1/4	110 1/4	+1/4
Apache Guacamole	5,000	110 1/2	110 1/4	110 1/4	+1/4
OpenSSH	4,000	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	3,000	110 1/2	110 1/4	110 1/4	+1/4
WireGuard	2,000	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	1,000	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	900	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	800	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	700	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	600	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	500	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	400	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	300	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	200	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	100	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	90	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	80	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	70	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	60	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	50	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	40	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	30	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	20	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	10	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	9	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	8	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	7	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	6	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	5	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	4	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	3	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	2	110 1/2	110 1/4	110 1/4	+1/4
OpenVPN	1	110 1/2	110 1/4	110 1/4	+1/4

U.S. STOCK MARKET DIARY

Indexes Most Active NYSE

Index	Level	Change	% Change	Year to Date % Change
Dow Jones	9113	+1.44	+1.61	-5.14
Industrial	292.96	+5.89	+2.05	+41.82
Consumer	230.80	-1.18	-0.49	+14.34
Energy	198.83	-0.57	-0.28	+2.50
Finance	136.82	+1.21	+0.89	+11.27
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Standard & Poors

Index	Level	Change	% Change	Year to Date % Change
Industrial	292.96	+5.89	+2.05	+41.82
Consumer	230.80	-1.18	-0.49	+14.34
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NYSE

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Industrial	292.96	+5.89	+2.05	+41.82
Consumer	230.80	-1.18	-0.49	+14.34
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Miscellaneous	188.72	+0.66	+0.35	+25.91
Raw Materials	162.04	-0.47	-0.29	-3.11
Services	210.51	+1.74	+0.83	+20.77
Utilities	181.69	+1.07	+0.59	+8.88

Nasdaq

ew Highs	82	60	New Highs	31
ew Lows	39	68	New Lows	64

MEX				
Change	Prev.		Today	P
Increased	292	274	4.08	
Decreased	175	181	829.01	829.01
Not trading	729	144	30.95	
New Highs	6	6	851.68	79
New Lows	18	19		

Market Sales				
		NYSE		
		30.95		
		in millions.		

Companies					
Per Amt	Rec	Pay	Company	Per Amt	Rec

EUROPE

SGS Holding to Slash 3,500 Jobs and Sell Units

GENEVA — SGS Holding SA, a customs inspector for 140 countries, said Friday it would cut 3,500 jobs, or 12 percent of its work force, and sell its insurance and health-care units as it coped with the loss of government contracts in Asia.

SGS, which once earned as much as three-quarters of its profit from monitoring imports and exports, said the reorganization would lead to special charges of 430 million Swiss francs (\$319 million) and a 1998 loss of about 300 million Swiss francs. But the company added that it expected to return to profit in 1999, with earnings of 75 million to 100 million francs. SGS also plans to omit the 1998 dividend.

The decision by the chief executive, Antony Czura, to cut the work force is his biggest step since taking over in August with a mandate to overhaul the company. Mr. Czura said he wanted to do more work with companies, such as certifying food and inspecting the accuracy of gasoline pumps, rather than relying on such customs services as agricultural inspections.

SGS, which is heavily dependent on world trade, has seen revenue fall because of a drop in commodity prices and the inability of customers in some emerging markets to pay for its inspection services.

Recessions in Indonesia and Pakistan prompted governments there to break off contracts with SGS, contributing to a 91 percent drop in profit for the first six months of 1998. The pace of global trade growth has slowed to about 5 percent, half last year's rate and the slowest since 1993, a report from the World Trade Organization showed this month.

SGS shares fell 81 francs, or 6 percent, to 1,287 francs. The shares have slumped 46 percent so far this year, making SGS the worst performer of the 22 companies in the Swiss Market Index.

SGS now narrowing its focus to six areas of business, representing 70 percent of revenue derived from inspection and testing. These include services for oil, gas and chemical industries; mining and mineral markets; agricultural commodities companies; food processing, retailing, textiles, electronics and services companies; governments and institutional clients; and business certifications, auditing and management systems for companies.

"Their profit forecast is positive and something I hadn't expected," said Antony Czura, an analyst at Bank Vontobel in Zurich. "But we need to know more about their future strategy and whether they can really make this work."

The forecast for 1999 net income of 75 million to 100 million francs does not include possible one-time gains from the sale of the insurance-services unit, SGS's second-biggest business with sales of 637 million francs.

The insurance unit, which offers loss-adjustment services to insurers, is to be sold next year.

Lagardere To Sell Stake In Matra Unit

PARIS — Lagardere SCA said Friday it would sell shares in its Matra Automobile subsidiary in an initial public offering that analysts estimate would value the maker of Renault SA's Espace minivan at about 3 billion francs (\$336.4 million).

Matra Automobile is seeking partnerships to replace its accord to build the Espace, the best-selling European minivan. Renault plans to assume full production of the minivan in 2001. Philippe Guedon, Matra Automobile's chief executive, said the company was in talks with PSA Peugeot Citroen SA and "German and Latin" companies.

Matra Automobile is benefiting from booming demand for the Espace—the company estimates 1998 sales growth of 20 percent. Matra Automobile, which accounts for 12 percent of Lagardere's sales, makes everything except the engine and gearbox for the Espace.

A sale would fit with Lagardere's plan to focus on defense and publishing as it prepares to become the main private shareholder in Aerospatiale, the biggest French aerospace and defense company. Lagardere makes missiles and owns Hachette Filipacchi Media, the publisher of the popular women's magazine Elle, among other titles.

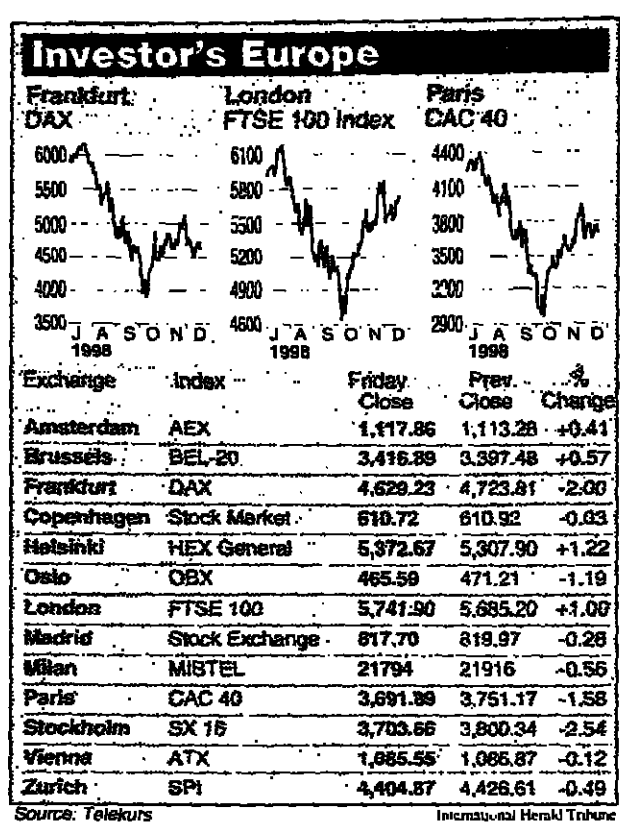
"Not only would an IPO allow Lagardere to recoup part of the money it's invested in cars," Mr. Guedon said, "but it would also allow us to finance our future investment programs."

The company would not say if it would sell all or part of the unit.

Matra plans to build Renault's future luxury vehicle, the D-66, although there is no guarantee it will be as popular as the Espace, which Matra began making in 1984.

"Matra's got a good partnership with Renault," said Philippe Gossard, an analyst with Credit Lyonnais Securities in Paris, who estimates the unit is worth about 3 billion francs. "Renault bears all of the commercial risks involved with the partnership. Matra doesn't have a sales network—all it does is build the cars under contract."

Lagardere shares rose 2 francs apiece to 225 francs.



Very briefly:

- Lafarge SA, France's largest cement maker, is buying the cement business of Tata Iron and Steel Co. of India for 5.5 billion rupees (\$130 million) as part of a strategy to expand to emerging markets. India's second-largest steel company, is shedding its cement business to focus on the steel sector.
- Italy presented draft legislation that would scrap its special decision-making powers over companies it once owned, in a rush to halt European Union court proceedings. The reform of the so-called "golden-share" practice would eliminate the Treasury's powers over companies, such as a veto right on mergers and acquisitions or board appointments, which the EU says are a breach of free-market rules.
- Royal KPN NV, the Netherlands' dominant telecommunications company, raised its stake in the Czech Republic's national phone company SPT Telecom AS for 500 million guilders (\$266 million), acquiring voting control in the company. KPN bought an additional 6.5 percent stake, increasing the SPT stake it controls with Swisscom AG to 33.5 percent.
- Russian lawmakers approved, in a first vote of three, part of a package of tax legislation aimed at reviving industrial production by shifting the tax burden to consumers from manufacturers. Deputies approved a gradual reduction of the value-added tax rate from 20 percent and cutting the corporate tax rate to 30 percent from 35 percent.
- Scandinavian Airlines System has exercised an option to raise its stake in Widerøe's Flyveselskap ASA, Norway's third largest airline, to 63.2 percent, further cementing its leading position in the region.
- Thomson-CSF, a French defense electronics group, announced its net loss for 1998 will be around 1.5 billion francs (\$270 million) because of an exceptional 3 billion franc restructuring charge.

Central Bank Assists Probe Of Lyonnais

PARIS — A French judge is examining central bank files on Credit Lyonnais SA, the bank that nearly collapsed after a rags-to-riches rise in his investigation into Credit Lyonnais's former management, the Bank of France said Friday.

The central bank said it had handed over all relevant documents for the period 1990-1994, when Jean-Yves Haberer, who was then chairman of Credit Lyonnais, allegedly concealed financial problems.

Mr. Haberer is under investigation on suspicion of misusing corporate funds, presenting inaccurate accounts and giving wrong information about the bank's situation.

"The investigating magistrate, accompanied by officers of the judicial police, arrived at the bank yesterday morning to ask for a certain number of documents relating to the Credit Lyonnais accounts from 1990 to 1994," a central bank spokesman said.

Credit Lyonnais nearly went bankrupt in 1992 after building up a big portfolio of stakes in French companies that were then hammered by recession. Successive rescue packages have cost French taxpayers more than 120 billion francs (\$21.5 billion).

Telekom Rivals Grab Big Chunk of Market

BONN — Deutsche Telekom AG's rivals have grabbed one-third of Germany's long-distance phone business since the market was opened to competition at the start of the year, the German telecommunications regulator said Friday.

Klaus-Dieter Scheurle, the head of the regulatory body, said that prices had fallen as much as 70 percent and that he expected the trend to continue.

Although Deutsche Telekom, Germany's former phone monopoly, might be losing market share, he said, deregulation is lifting the entire industry.

Mr. Scheurle estimated that Telekom's call minutes would increase this year by about 5.5 percent, to 183 billion minutes.

The overall market, however, is increasing at a faster rate. New entrants to the market, ranging from little-known startups such as MobilCom AG to utility-backed ventures like O.tel.o, will have carried about 11 billion minutes of long-distance calls by the end of this year, he said.

Mr. Scheurle also said competition had helped to create jobs.

New fixed-line companies, he said, had hired 16,400 people and mobile phone companies had added 22,000 more.

Growth is also soaring in the mobile phone market, with 13.5 million new customers since the start of the year, an increase of 65.2 percent.

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German Firms' Spin-Offs Aim for Clarity

FRANKFURT — German banks and insurers, facing more competition under a European common currency and the loss of tax breaks, are shuffling shareholders to provide the greater clarity international investors demand.

Deutsche Bank AG, the largest bank, said this week that it was creating a separate unit to manage its myriad stakes in some of the largest industrial companies. Dresdner Bank AG, the third-largest bank, said Friday it was considering following suit. And Allianz AG, Europe's No. 2 insurer, and Munich Re, the world's largest reinsurer, said they would reorganize their holdings in each other's units by swapping stakes.

"We applaud every step that brings more clarity," said Thilo Sieger, a manager at AXA Fondmanagement. "This trend will continue."

Deutsche Bank said Tuesday it would create a unit to manage more than 40 billion Deutsche marks (\$24 billion) in stakes in such German companies as DaimlerChrysler AG. The bank, which said the move would give a clearer picture of asset performance, will segregate its holdings in private partnerships managed by a new unit provisionally called DB Investor AG.

The formation allows a tax-free transfer of holdings to the unit, likely to be prohibited next year.

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The formation allows a tax-free transfer of holdings to the unit, likely to be prohibited next year.

Tax considerations may be why Dresdner Bank is examining whether to spin off its holdings—ranging from insurers and builders to a retailer and a wool processor—into a separate unit.

Allianz will raise its stake in Allianz Leben, the No. 1 life insurer in Germany, to more than 50 percent. Munich Re will increase its stake in Ergo Versicherungsgruppe AG, the No. 2 insurer, to more than 60 percent. Both will also fully unwind their positions in each other's U.S. units.

But the spin-offs are limited to banks and insurers. Metro AG, Europe's largest retailer, said last month that it would sell one-third of its business.

WORLD STOCK MARKETS

Friday, Dec. 18					High Low Close Prev.					Jakarta					Commodity Index: 652.8					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close
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ASIA/PACIFIC

Hong Kong Banks Unexpectedly Lower Rates

Compiled by Our Staff From Dispatches

HONG KONG — Banks here announced a surprise cut in deposit and lending rates Friday — the third reduction in less than a month — in a move that analysts said would bolster market sentiment.

The Hong Kong Association of Banks said after its regular Friday meeting that its members would lower deposit interest rates by 25 basis points, to 4.25 percent, effective Monday.

Major Hong Kong banks then said they would trim their prime lending rates Monday by 25 basis points, to 9 percent.

Meanwhile, the government said it may scrap the association to spur competition by leaving it up to each bank to set its own rates. The Hong Kong Monetary Authority is also considering whether to establish a deposit insurance system similar to

those found in the United States and Europe. The proposals are the result of an 18-month study by KPMG Peat Marwick, which recommended they be phased in through the year 2002.

The banks' association last implemented an interest-rate reduction on Dec. 7, when they lowered rates by 25 basis points, that followed a 25 basis-point rate cut on Nov. 23. Since Oct. 19, banks have cut local interest rates by a full percentage point.

"This cut will assist the market in regaining confidence," said Mervyn Davies, the bank association's chairman and group executive director of Standard Chartered Bank.

"But, as has been shown by GDP numbers and by unemployment numbers, we have got a tough few months ahead," Mr. Davies said after the bankers' meeting.

The rate cuts came a day after the government said Hong Kong's seasonally adjusted unemployment rate had reached a new high of 5.5 percent for the three months through November, up from 5.2 percent in the three months through October.

Hong Kong's currency board system means local interest rates are based on the supply of Hong Kong dollars, which have been pegged to the U.S. dollar at about 7.8 to the dollar since 1983.

Changing that system as the KPMG study recommends — allowing banks to set rates while maintaining the currency peg — could be difficult, some analysts said.

"It's an odd way to do it," said Frank Gong, a currency strategist at BankAmerica Corp. in Hong Kong. "On the one hand, you're keeping the currency peg, and on the other, you're taking away a reference rate for banks. You need a reference rate. That's a key."

By allowing bankers to set their own rates, customers could benefit as banks seek to attract more deposits. At the same time, deregulation could hurt smaller banks that cannot afford to pay higher rates.

"There is no free lunch with interest-rate deregulation," said David Carr, the monetary authority's deputy chief executive. "Not every one will gain."

The proposal to create a deposit insurance corporation, similar to the Federal Deposit Insurance Corp. in the United States, would strengthen the currency peg, said Desmond Supple, head of research at Barclays Capital in Singapore.

The KPMG study also recommended tighter disclosure rules for foreign banks, under which their local branches would have to comply with Hong Kong disclosure standards. (Reuters, Bloomberg)

GM Reinforces Link to Isuzu And Lifts Stake

By Sandra Sugawara
Washington Post Service

TOKYO — General Motors Corp. said Friday it would buy \$456 million of new shares in Isuzu Motors Ltd., raising its stake in the Japanese truck manufacturer to 49 percent from 37.5 percent.

Isuzu's responsibility for developing trucks and other commercial vehicles for GM will expand, in return for the cash, which Isuzu needs to write down its debt and fund research. Isuzu reported a \$45 million loss in the half year ended Sept. 30.

The move was the latest in a series of tie-ups and mergers as the auto industry reorganizes in the face of falling demand for cars and trucks, especially in Asia, intensifying global competition and soaring costs of tougher emission standards.

Nissan Motor Co., Japan's second largest automaker, also announced a plan Friday aimed at strengthening its weak finances. Nissan executives said the plan targeted reducing domestic capacity by 2003, and said the company would consider closing plants.

Nissan executives, however, denied rumors that they were in talks to sell off part of the company. The stock price of Nissan jumped briefly as those rumors intensified after the German news magazine Der Spiegel said it would run a story on discussions between Nissan and DaimlerChrysler AG.

Some analysts here have expected GM, the world's largest automaker, to acquire Isuzu. But at a news conference, the GM chairman, John Smith Jr., said GM did not plan to curtail the independence of Isuzu management, according to Reuters. He said GM increased its stake because "GM is asking a lot of Isuzu, and this investment will help provide the financial resources it needs."

Tsunemi Tachibana, an auto analyst for Nikko Research Center, said the fact that GM did not acquire 50 percent of the company indicated that GM "has a great deal of trust in the Isuzu" management. But he said GM might take a majority stake in the future.

The Isuzu move was the latest in recent steps by GM to move aggressively into Japan. In September, GM increased its stake to 10 percent from 3.3 percent in Suzuki Motor Corp., becoming Suzuki's largest shareholder. Suzuki manufactures minivans and motorcycles, and is to develop compact cars for GM.

Investor's Asia			
Exchange	Index	Index	Index
Hong Kong	Hang Seng	10,228.22	+10,033.21
Singapore	Strait Times	1,405.86	+1,366.19
Tokyo	Nikkei 225	14,128.89	+14,128.89
Kuala Lumpur	Composite	550.41	+542.78
Bangkok	SET	941.52	+938.85
Seoul	Composite	526.85	+526.85
Taipei	Stock Market	6,636.66	+6,636.66
Manila	PSE	1,886.36	+1,878.30
Jakarta	Composite	488.95	+485.63
Wellington	NZSE 40	2,822.88	+1,964.38
Bombay	Sensitive Index	2,675.09	+2,664.44

China Defines Illegal Trading in Draft Law

Compiled by Our Staff From Dispatches

BEIJING — China plans to set clear definitions of insider trading and split its brokerage industry into two tiers as part of a major restructuring under its first securities law, according to a draft of the law obtained Friday.

The draft law states that insider trading refers to a wide range of price-sensitive information and includes the use of privileged information by corporate executives, employees and major shareholders. It also specifies what types of corporate activities, such as acquisitions and major shifts in corporate policy, are covered.

China has been drafting a securities law since 1992, but sharp differences of opinion over its contents have held up promulgation. Analysts said China finally was nearing implementation of the law.

The draft law allows the confiscation of illegal profits and the imposition of fines of 100 percent to 500 percent of the profits or the value of the securities traded. Criminal prosecution may be pursued, it says, and insider trading by securities regulators will be treated with particular severity.

The draft law also would prohibit short-selling and bar brokers from financing stock trades. It bans

brokers from agreeing to offset the trading losses of their customers and from commingling customer funds with brokerage money.

Beijing is determined to prevent the commingling of company and client funds, a common practice among brokers.

Under the two-tier brokerage system, the state would require a minimum registered capital of 300 million yuan (\$36 million) for so-called comprehensive securities firms, which would be able to trade on their own accounts and underwrite securities.

Other brokerages would need a registered capital of 50 million yuan

and be restricted to trading on behalf of customers. (Reuters, Bloomberg)

■ Ratings of 5 Banks at Risk

The U.S. ratings agency Standard & Poor's Corp. warned Friday that it was considering downgrading the credit rating of five major Chinese financial institutions because of continued weakness in their domestic operating environment, Agence France-Presse reported.

The banks are Bank of China, Bank of Communications, China Construction Bank, China International Trust and Investment Corp., and Industrial and Commercial Bank of China.

Hachette Buys Up Japan Publisher

Agence France-Presse

TOKYO — Hachette Filipacchi Medias, a French publisher that produces Elle magazine, said Friday it would take a controlling stake in Fujingahosha of Japan.

Terms were not disclosed.

Fujingahosha, established in 1905, has seven magazines, including seven women's publications.

Fujingahosha, based in Tokyo, has a staff of 260. According to Hachette Filipacchi it had sales of 13 billion yen (\$111.9 million) last year.

As Earnings Dive, BHP Sells Some Units

Compiled by Our Staff From Dispatches

SYDNEY — The Australian resources company Broken Hill Pty. announced a 45 percent drop in first-half earnings Friday as its new American chief executive made his mark by announcing asset sales and a management reshuffle.

"Never before has BHP experienced market conditions where prices for so many of its major products have fallen to this extent at the same time," said its chief executive, Paul Anderson.

Profit fell to 436 million Australian dollars (\$271.4 million) in the six months that ended Nov. 30,

from 793 million dollars a year ago. Revenue fell 5.3 percent, to 9.95 billion dollars, as prices for copper, oil, steel and coal dropped amid falling demand in Asia.

Profit and cash flow was also affected by an explosion in September at the Longford gas plant in Victoria state, which halted oil production for two months and slashed earnings by 60 million dollars.

Mr. Anderson also said that BHP was selling its power assets to its former employer, Duke Energy, for 509 million dollars. Two manganese assets also being sold as well, to British-based Biliton PLC, for 601

million dollars. Biliton, which was spun off last year from South African mining group Gencor Ltd., is the world's biggest producer of ferrochrome and ferromanganese.

More sales of nonstrategic assets are expected, analysts said.

Also Friday, the chief operating officer, Ron McNeill, was appointed executive director and president of BHP Minerals, reporting directly to Mr. Anderson, who also made several other management changes.

Mr. McNeill will oversee the managers of newly created divisions within the minerals business. (AFP, Bloomberg, Bridge News)

EURO: Japanese Investors Rush to Buy European Currencies

Continued from Page 1

currency reserves in the vaults of Asia's central banks now sit in dollars.

In another sign of the euro groundswell, Japan's largest life insurer, Nippon Life, said Tuesday that it would consider moving half of its \$34 billion in overseas assets into euros, based on the fact that euros and dollars have about equal weighting in the Salomon government bond index.

Currently, the company invests about 30 percent of that money in currencies that will become fixed to the euro at the end of this month.

Japan, along with China and other Asian countries with major holdings of dollar reserves, may figure that "if you spread your bond holdings you reduce your risk against currency fluctuation," said Paul Mortimer-Lee, chief capital markets economist for Banque Paribas in London.

But for Japan, the move into the euro may make sense on an additional level. Christopher Wood, managing director at ABN Amro Asia in Hong Kong and the author of two books about Japanese finance, called the move "partly sensible diversification, and partly geopolitical, because they're fed up with being told what to do by the United States."

Japan is on the receiving end of endless pleas by the U.S. government to fix its banking system to rouse the economy out of recession, but remains one of the major financiers of America's bulging current account deficit. Japan sells the U.S. more goods than it buys, and then invests many of the dollars it earns into U.S. bonds. And that, too, could impact its inclination to invest in euros.

The U.S. ambassador to Japan, Thomas Foley, in a speech Monday, warned that the rising trade imbalance between Japan and the United States could lead to increased frictions between the countries next year. In October, Japan's trade surplus with the United States was \$6 billion, up 32 percent from a year ago.

In the event of U.S. trade sanctions against Japanese exports, in retaliation for higher duties on rice imports into Japan or other trade irritants, Japan may feel more comfortable holding more euros, which would reflect an

increasing dependence on trade with Europe.

"What will make the euro a reserve currency is the fact that a substantial amount of Asian trade will be denominated in euros, whereas a tiny proportion of Asian trade was denominated in Deutsche marks," said Avinash Persaud, global head of currency research at J.P. Morgan in London.

But too strong a stampede out of the dollar would pose the threat of an overvalued euro, said Mrs. Hanna at Mitsubishi.

"We may end up with

competitive devaluations between the euro and the dollar," she said. The yen could become "excessively overvalued" as a result, she added, making it even harder for Japan to export its way out of recession.

Given the uncertain outlook for both the dollar and euro, Asian countries may also wish to reduce their reliance on dollar reserves out of a general recognition, reiterated Tuesday by the Japanese finance minister, Kiichi Miyazawa, that pricing currencies solely in terms of one currency proved unwise in

the run-up to the Asian financial crisis.

As the dollar strengthened against the yen and most European currencies in the mid-1990s, exports from Asia slowed sharply because most countries in the region had partially linked their currencies to the dollar. Eventually, the current account deficits that resulted touched off a loss of confidence among investors and the consequent crisis.

Mitchell Martin contributed to this report from New York.

HOSPITAL: An Ophthalmologist With a Vision

Continued from Page 11

surgery and two nights in a private room. In the other wing, patients pay for the lens and sutures, about \$12, if they can afford it. They get free meals and free lodging: straw mats in wards for 30 to 40.

Neither wing accepts appointments. Patients who arrive on early morning trains from the countryside start lining up at 4 A.M. Toilet and bathing facilities are available, and free coffee is served. At 5 A.M. Monday through Saturday, the hospitals open for business.

Sundays are reserved for mobile eye camps, an outreach program Dr. Venkataswamy started during his government service. Teams of doctors and nurses visit rural areas, screen hundreds of people with eye ailments and identify those who need surgery. A mar-

keting representative has already been by to tap local businesses for publicity, and industrial concerns usually sponsor the buses that transport patients to Aravind hospitals.

Dr. Venkataswamy plans to open one more hospital in Tamil Nadu next year. But he knows that in the long run, the solution to blindness will not be building more facilities: It will be helping eye doctors and administrators at hospitals in India and abroad replicate his model.

Under a program funded by Lions Club International and groups fighting blindness in the United Kingdom and Germany, Aravind works with 50 hospitals across India to improve eye-care management. It also trains in developing countries from Asia to Africa.

"We want to go global," Dr. Venkataswamy said.

FIDELITY ORIENT FUND
Société d'Investissement à Capital Variable
Kansallia House - Place de l'Etoile
B.P. 2174, L-1021 Luxembourg
R.C. Luxembourg B 19061

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of the Shareholders of Fidelity Orient Fund, a Société d'Investissement à Capital Variable registered under the laws of the Grand Duché de Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallia House, Place de l'Etoile, Luxembourg, at 11.00 a.m. on December 29, 1998, specifically for the following purposes:

1. Presentation of the Report of the Board of Directors
2. Presentation of the Report of the Auditor
3. Approval of the balance sheet and income statement for the financial year ended August 31, 1998
4. Discharge of the Board of Directors and the Auditor
5. Election of five (5) Directors, specifically the re-election of Messrs. Edward C. Johnson 3d, Barry R.J. Bassman, Charles A. Fries, Jean Hamill and Thomas Fries van den Hoven
6. Election of the Auditor, specifically the re-election of PricewaterhouseCoopers, Luxembourg
7. Consideration of such other business as may properly come before the Meeting

Approval of items 1 through 7 of this agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A Shareholder may act at any Meeting in which he/she is entitled to be present, or at any adjournment thereof, by proxy.

Dated: November 24, 1998
By Order of the Board of Directors

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The 1,000 most traded National Market securities in terms of dollar value, updated twice a year.
The Associated Press.

12 Month		Stock	Div	Yld	PE	52 Wks		Low	Last	Chg
High	Low					High	Low			

[illegible]

12 Month	Low	Stock	Div	Yld	PE	52 Wk High	Low	Label	Chg
15%	7%	Cash	-	-	19	927	129	17%	13
15%	7%	Cash	-	-	32	22	29%	29%	29%
15%	12%	Cash	-	-	67	10	31%	47%	47%
15%	12%	Cash	-	-	209	35	30%	30%	30%
15%	12%	Cash	-	-	107	12%	12%	12%	12%
15%	12%	Cash	-	-	79	61	29%	29%	29%
15%	12%	Cash	-	-	10	10	12%	12%	12%
15%	12%	Cash	-	-	120	17%	16%	14%	14%
15%	12%	Cash	-	-	10	10	10%	11	11
15%	12%	Cash	-	-	26	26	22%	22%	22%
15%	12%	Cash	-	-	26	26	22%	22%	22%

	१	२	३	४	५	६	७	८	९	१०	११	१२	१३	१४	१५	१६	१७	१८	१९	२०	२१	२२	२३	२४	२५	२६	२७	२८	२९	३०	३१	३२	३३	३४	३५	३६	३७	३८	३९	४०	४१	४२	४३	४४	४५	४६	४७	४८	४९	५०	५१	५२	५३	५४	५५	५६	५७	५८	५९	६०	६१	६२	६३	६४	६५	६६	६७	६८	६९	७०	७१	७२	७३	७४	७५	७६	७७	७८	७९	८०	८१	८२	८३	८४	८५	८६	८७	८८	८९	९०	९१	९२	९३	९४	९५	९६	९७	९८	९९	१००
१	२	३	४	५	६	७	८	९	१०	११	१२	१३	१४	१५	१६	१७	१८	१९	२०	२१	२२	२३	२४	२५	२६	२७	२८	२९	३०	३१	३२	३३	३४	३५	३६	३७	३८	३९	४०	४१	४२	४३	४४	४५	४६	४७	४८	४९	५०	५१	५२	५३	५४	५५	५६	५७	५८	५९	६०	६१	६२	६३	६४	६५	६६	६७	६८	६९	७०	७१	७२	७३	७४	७५	७६	७७	७८	७९	८०	८१	८२	८३	८४	८५	८६	८७	८८	८९	९०	९१	९२	९३	९४	९५	९६	९७	९८	९९	१००	

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姓名	性别	年龄	籍贯	民族	文化程度	职业	住址	联系电话	备注
王德胜	男	45	山东	汉族	高中	教师	济南市	12345678	
李秀英	女	38	河南	汉族	初中	工人	郑州市	87654321	
张国强	男	52	江苏	汉族	大学	医生	南京市	56789012	
刘小红	女	28	四川	汉族	小学	农民	成都市	34567890	
陈为民	男	60	广东	汉族	高中	干部	广州市	23456789	
赵子龙	男	35	湖北	汉族	大学	工程师	武汉市	90123456	
周美兰	女	42	浙江	汉族	初中	售货员	杭州市	78901234	
吴大伟	男	55	安徽	汉族	小学	工人	合肥市	67890123	
孙丽娟	女	30	湖南	汉族	高中	教师	长沙市	54321098	
郑为民	男	48	江西	汉族	大学	干部	南昌市	43210987	
冯国强	男	58	山西	汉族	初中	工人	太原市	32109876	
李秀英	女	35	陕西	汉族	小学	农民	西安市	21098765	
张国强	男	40	甘肃	汉族	高中	干部	兰州市	10987654	
刘小红	女	25	宁夏	汉族	初中	工人	银川市	09876543	
陈为民	男	50	青海	汉族	小学	工人	西宁市	98765432	
赵子龙	男	30	新疆	汉族	高中	干部	乌鲁木齐市	87654321	
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吴大伟	男	50	广西	汉族	小学	工人	南宁市	65432109	
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周美兰	女	40	山东	汉族	初中	工人	济南市	76543210	
吴大伟	男	50	河南	汉族	小学	工人	郑州市	65432109	
孙丽娟	女	30	广东	汉族	高中	教师	广州市	54321098	
郑为民	男	45	湖北	汉族	大学	干部	武汉市	43210987	
冯国强	男	55	湖南	汉族	初中	工人	长沙市	32109876	
李秀英	女	35	江西	汉族	小学	工人	南昌市	21098765	
张国强	男	40	安徽	汉族	高中	干部	合肥市	10987654	
刘小红	女	25	浙江	汉族	初中	工人	杭州市	09876543	
陈为民	男	50	江苏	汉族	小学	工人	南京市	98765432	
赵子龙	男	30	山东	汉族	高中	干部	济南市	87654321	
周美兰	女	40	河南	汉族	初中	工人	郑州市	76543210	
吴大伟	男	50	广东	汉族	小学	工人	广州市	65432109	
孙丽娟	女	30	湖北	汉族	高中	教师	武汉市	54321098	
郑为民	男	45	湖南	汉族	大学	干部	长沙市	43210987	
冯国强	男	55	江西	汉族	初中	工人	南昌市	32109876	
李秀英	女	35	安徽	汉族	小学	工人	合肥市	21098765	
张国强	男	40	浙江	汉族	高中	干部	杭州市	10987654	
刘小红	女	25	江苏	汉族	初中	工人	南京市	09876543	
陈为民	男	50	山东	汉族	小学	工人	济南市	98765432	
赵子龙	男	30	河南	汉族	高中	干部	郑州市	87654321	
周美兰	女	40	广东	汉族	初中	工人	广州市	76543210	
吴大伟	男	50	湖北	汉族	小学	工人	武汉市	65432109	
孙丽娟	女	30	湖南	汉族	高中	教师	长沙市	54321098	
郑为民	男	45	江西	汉族	大学	干部	南昌市	43210987	
冯国强	男	55	安徽	汉族	初中	工人	合肥市	32109876	
李秀英	女	35	浙江	汉族	小学	工人	杭州市	21098765	
张国强	男	40	江苏	汉族	高中	干部	南京市	10987654	
刘小红	女	25	山东	汉族	初中	工人	济南市	09876543	
陈为民	男	50	河南	汉族	小学	工人	郑州市	98765432	
赵子龙	男	30	广东	汉族	高中	干部	广州市	87654321	
周美兰	女	40	湖北	汉族	初中	工人	武汉市	76543210	
吴大伟	男	50	湖南	汉族	小学	工人	长沙市	65432109	
孙丽娟	女	30	江西	汉族	高中	教师	南昌市	54321098	
郑为民	男	45	安徽	汉族	大学	干部	合肥市	43210987	
冯国强	男	55	浙江	汉族	初中	工人	杭州市	32109876	
李秀英	女	35	江苏	汉族	小学	工人	南京市	21098765	
张国强	男								

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Friday's 4 P.M. Close

(Continued)

12 Month	High	Low	Stock	Div	Yld	PE	100s	High	Low	Latest	Change
7714	1.00	50	7714	0.00	0.00	18	7000	7114	7014	7114	-84

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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12 Month		Stock	Div	Yld	PE	Ss		Low		Cmpe
High	Low					100s	High	Low	Est	
22 1/4	1 1/4	Petisco			60	586	1 1/4	1 1/4	1 1/4	-3%
12 1/4	7 1/4	Pfizer	.88		47	2725	11 1/4	11 1/4	11 1/4	+3%
25 1/4	3 1/4	Pharmacia			47	2725	11 1/4	11 1/4	11 1/4	+3%
25 1/4	3 1/4	PharmUp	1.08	2.0	47	9518	5 1/4	5 1/4	5 1/4	+1%
7 1/4	4 1/4	PhotoD	2.00	3.9	11	3243	5 1/4	5 1/4	5 1/4	-11%
25 1/4	1 1/4	Pharm	.48		31	2725	4 1/4	4 1/4	4 1/4	+3%
25 1/4	1 1/4	Pharm	1.76	3.2	20	7010	5 1/4	5 1/4	5 1/4	+3%
14 1/4	1 1/4	PharmS			55	6848	4 1/4	4 1/4	4 1/4	+3%
25 1/4	1 1/4	PharmD	1.28	3.5	15	981	26	25 1/4	25 1/4	+10%

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12 Month		Low	Stock	Chg	Div	Yld	PE	52		Low	Latest	Chg%
High	Low							High	Low			
73%	36%		Rep/NV S	1.00	2.2	11	3771	451%	46%	46%	-3%	+%
27%	13%		Rep/abser n				3294	17%	13%	17%	+%	+%
50%	1%		Rep/abser n				1268	13%	13%	13%	+%	+%
50%	12%		Rep/abser n				1377	17%	15%	17%	+%	+%
15%	9%		Rep/abser n				106	12%	12%	12%	+%	+%
15%	9%		Rep/abser n				106	12%	12%	12%	+%	+%
68%	4%		Rep/abser n				2425	50%	51%	51%	+%	+%
58%	32%		Rep/abser n				972	51%	50%	50%	+%	+%
7	2		Rep/abser n				177	3%	3%	3%	+%	+%

品名	単位	数量	金額	備考
小麦	100kg	100	10000	
大豆	100kg	100	10000	
粟	100kg	100	10000	
稗	100kg	100	10000	
雑穀	100kg	100	10000	
...

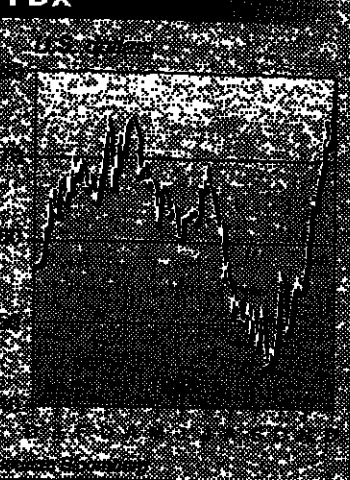
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姓名	籍貫	年齡	學歷	職業	住址	電話	備考
王德勝	廣東	25	中學畢業	教師	廣州	1234	
李國強	福建	28	大學畢業	工程師	廈門	5678	
張文華	浙江	32	中學畢業	商人	杭州	9012	
趙子龍	湖南	35	大學畢業	醫生	長沙	3456	
周志強	四川	38	中學畢業	農民	成都	7890	
吳大德	江西	42	大學畢業	教授	南昌	2345	
陳永年	廣東	45	中學畢業	公務員	廣州	6789	
楊國光	福建	48	大學畢業	律師	廈門	0123	
黃文輝	浙江	52	中學畢業	商人	杭州	4567	
劉子明	湖南	55	大學畢業	醫生	長沙	8901	
周志強	四川	58	中學畢業	農民	成都	2345	
吳大德	江西	62	大學畢業	教授	南昌	6789	
陳永年	廣東	65	中學畢業	公務員	廣州	0123	
楊國光	福建	68	大學畢業	律師	廈門	4567	
黃文輝	浙江	72	中學畢業	商人	杭州	8901	
劉子明	湖南	75	大學畢業	醫生	長沙	2345	
周志強	四川	78	中學畢業	農民	成都	6789	
吳大德	江西	82	大學畢業	教授	南昌	0123	
陳永年	廣東	85	中學畢業	公務員	廣州	4567	
楊國光	福建	88	大學畢業	律師	廈門	8901	
黃文輝	浙江	92	中學畢業	商人	杭州	2345	
劉子明	湖南	95	大學畢業	醫生	長沙	6789	
周志強	四川	98	中學畢業	農民	成都	0123	
吳大德	江西	102	大學畢業	教授	南昌	4567	
陳永年	廣東	105	中學畢業	公務員	廣州	8901	
楊國光	福建	108	大學畢業	律師	廈門	2345	
黃文輝	浙江	112	中學畢業	商人	杭州	6789	
劉子明	湖南	115	大學畢業	醫生	長沙	0123	
周志強	四川	118	中學畢業	農民	成都	4567	
吳大德	江西	122	大學畢業	教授	南昌	8901	
陳永年	廣東	125	中學畢業	公務員	廣州	2345	
楊國光	福建	128	大學畢業	律師	廈門	6789	
黃文輝	浙江	132	中學畢業	商人	杭州	0123	
劉子明	湖南	135	大學畢業	醫生	長沙	4567	
周志強	四川	138	中學畢業	農民	成都	8901	
吳大德	江西	142	大學畢業	教授	南昌	2345	
陳永年	廣東	145	中學畢業	公務員	廣州	6789	
楊國光	福建	148	大學畢業	律師	廈門	0123	
黃文輝	浙江	152	中學畢業	商人	杭州	4567	
劉子明	湖南	155	大學畢業	醫生	長沙	8901	
周志強	四川	158	中學畢業	農民	成都	2345	
吳大德	江西	162	大學畢業	教授	南昌	6789	
陳永年	廣東	165	中學畢業	公務員	廣州	0123	
楊國光	福建	168	大學畢業	律師	廈門	4567	
黃文輝	浙江	172	中學畢業	商人	杭州	8901	
劉子明	湖南	175	大學畢業	醫生	長沙	2345	
周志強	四川	178	中學畢業	農民	成都	6789	
吳大德	江西	182	大學畢業	教授	南昌	0123	
陳永年	廣東	185	中學畢業	公務員	廣州	4567	
楊國光	福建	188	大學畢業	律師	廈門	8901	
黃文輝	浙江	192	中學畢業	商人	杭州	2345	
劉子明	湖南	195	大學畢業	醫生	長沙	6789	
周志強	四川	198	中學畢業	農民	成都	0123	
吳大德	江西	202	大學畢業	教授	南昌	4567	
陳永年	廣東	205	中學畢業	公務員	廣州	8901	
楊國光	福建	208	大學畢業	律師	廈門	2345	
黃文輝	浙江	212	中學畢業	商人	杭州	6789	
劉子明	湖南	215	大學畢業	醫生	長沙	0123	
周志強	四川	218	中學畢業	農民	成都	4567	
吳大德	江西	222	大學畢業	教授	南昌	8901	
陳永年	廣東	225	中學畢業	公務員	廣州	2345	
楊國光	福建	228	大學畢業	律師	廈門	6789	
黃文輝	浙江	232	中學畢業	商人	杭州	0123	
劉子明	湖南	235	大學畢業	醫生	長沙	4567	
周志強	四川	238	中學畢業	農民	成都	8901	
吳大德	江西	242	大學畢業	教授	南昌	2345	
陳永年	廣東	245	中學畢業	公務員	廣州	6789	
楊國光	福建	248	大學畢業	律師	廈門	0123	
黃文輝	浙江	252	中學畢業	商人	杭州	4567	
劉子明	湖南	255	大學畢業	醫生	長沙	8901	
周志強	四川	258	中學畢業	農民	成都	2345	
吳大德	江西	262	大學畢業	教授	南昌	6789	
陳永年	廣東	265	中學畢業	公務員	廣州	0123	
楊國光	福建	268	大學畢業	律師	廈門	4567	
黃文輝	浙江	272	中學畢業	商人	杭州	8901	
劉子明	湖南	275	大學畢業	醫生	長沙	2345	
周志強	四川	278	中學畢業	農民	成都	6789	
吳大德	江西	282	大學畢業	教授	南昌	0123	
陳永年	廣東	285	中學畢業	公務員	廣州	4567	
楊國光	福建	288	大學畢業	律師	廈門	8901	
黃文輝	浙江	292	中學畢業	商人	杭州	2345	
劉子明	湖南	295	大學畢業	醫生	長沙	6789	
周志強	四川	298	中學畢業	農民	成都	0123	
吳大德	江西	302	大學畢業	教授	南昌	4567	
陳永年	廣東	305	中學畢業	公務員	廣州	8901	
楊國光	福建	308	大學畢業	律師	廈門	2345	
黃文輝	浙江	312	中學畢業	商人	杭州	6789	
劉子明	湖南	315	大學畢業	醫生	長沙	0123	
周志強	四川	318	中學畢業	農民	成都	4567	
吳大德	江西	322	大學畢業	教授	南昌	8901	
陳永年	廣東	325	中學畢業	公務員	廣州	2345	
楊國光	福建	328	大學畢業	律師	廈門	6789	
黃文輝	浙江	332	中學畢業	商人	杭州	0123	
劉子明	湖南	335	大學畢業	醫生	長沙	4567	
周志強	四川	338	中學畢業	農民	成都	8901	
吳大德	江西	342	大學畢業	教授	南昌	2345	
陳永年	廣東	345	中學畢業	公務員	廣州	6789	
楊國光	福建	348	大學畢業	律師	廈門	0123	
黃文輝	浙江	352	中學畢業	商人	杭州	4567	
劉子明	湖南	355	大學畢業	醫生	長沙	8901	
周志強	四川	358	中學畢業	農民	成都	2345	
吳大德	江西	362	大學畢業	教授	南昌	6789	
陳永年	廣東	365	中學畢業	公務員	廣州	0123	
楊國光	福建	368	大學畢業	律師	廈門	4567	
黃文輝	浙江	372	中學畢業	商人	杭州	8901	
劉子明	湖南	375	大學畢業	醫生	長沙	2345	
周志強	四川	378	中學畢業	農民	成都	6789	
吳大德	江西	382	大學畢業	教授	南昌	0123	
陳永年	廣東	385	中學畢業	公務員	廣州	4567	
楊國光	福建	388	大學畢業	律師	廈門	8901	
黃文輝	浙江	392	中學畢業	商人	杭州	2345	
劉子明	湖南	395	大學畢業	醫生	長沙	6789	
周志強	四川	398	中學畢業	農民	成都	0123	
吳大德	江西	402	大學畢業	教授	南昌	4567	
陳永年	廣東	405	中學畢業	公務員	廣州	8901	
楊國光	福建	408	大學畢業	律師	廈門	2345	
黃文輝	浙江	412	中學畢業	商人	杭州	6789	
劉子明	湖南	415	大學畢業	醫生	長沙	0123	
周志強	四川	418	中學畢業	農民	成都	4567	
吳大德	江西	422	大學畢業	教授	南昌	8901	
陳永年	廣東	425	中學畢業	公務員	廣州	2345	
楊國光	福建	428	大學畢業	律師	廈門	6789	
黃文輝	浙江	432	中學畢業	商人	杭州	0123	
劉子明	湖南	435	大學畢業	醫生	長沙	4567	
周志強	四川	438	中學畢業	農民	成都	8901	
吳大德	江西	442	大學畢業	教授	南昌	2345	
陳永年	廣東	445	中學畢業	公務員	廣州	6789	
楊國光	福建	448	大學畢業	律師	廈門	0123	
黃文輝	浙江	452	中學畢業	商人	杭州	4567	
劉子明	湖南	455	大學畢業	醫生	長沙	8901	
周志強	四川	458	中學畢業	農民	成都	2345	
吳大德	江西	462	大學畢業	教授	南昌	6789	
陳永年	廣東	465	中學畢業	公務員	廣州	0123	
楊國光	福建	468	大學畢業	律師	廈門	4567	
黃文輝	浙江	472	中學畢業	商人	杭州	8901	
劉子明	湖南	475	大學畢業	醫生	長沙	2345	
周志強	四川	478	中學畢業	農民	成都	6789	
吳大德	江西	482	大學畢業	教授	南昌	0123	
陳永年	廣東	485	中學畢業	公務員	廣州	4567	
楊國光	福建	488	大學畢業	律師	廈門	8901	
黃文輝	浙江	492	中學畢業	商人	杭州	2345	
劉子明	湖南	495	大學畢業	醫生	長沙	6789	
周志強	四川	498	中學畢業	農民	成都	0123	
吳大德	江西	502	大學畢業	教授	南昌	4567	
陳永年	廣東	505	中學畢業	公務員	廣州	8901	
楊國光	福建	508	大學畢業	律師	廈門	2345	
黃文輝	浙江	512	中學畢業	商人	杭州	6789	
劉子明	湖南	515	大學畢業	醫生	長沙	0123	
周志強	四川	518	中學畢業	農民	成都	4567	
吳大德	江西	522	大學畢業	教授	南昌	8901	
陳永年	廣東	525	中學畢業	公務員	廣州	2345	
楊國光	福建	528	大學畢業	律師	廈門	6789	
黃文輝	浙江	532	中學畢業	商人	杭州	0123	
劉子明	湖南	535	大學畢業	醫生	長沙	4567	
周志強	四川	538	中學畢業	農民	成都	8901	
吳大德	江西	542	大學畢業	教授	南昌	2345	
陳永年	廣東	545	中學畢業	公務員	廣州	6789	
楊國光	福建	548	大學畢業	律師	廈門	0123	
黃文輝	浙江	552	中學畢業	商人	杭州	4567	
劉子明	湖南	555	大學畢業	醫生	長沙	8901	
周志強	四川	558	中學畢業	農民	成都	2345	
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陳永年	廣東	565	中學畢業	公務員	廣州	0123	
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黃文輝	浙江	572	中學畢業	商人	杭州	8901	
劉子明	湖南	575	大學畢業	醫生	長沙	2345	
周志強	四川	578	中學畢業	農民	成都	6789	
吳大德	江西	582	大學畢業	教授	南昌	0123	
陳永年	廣東	585	中學畢業	公務員	廣州	4567	
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吳大德	江西	662	大學畢業	教授	南昌	6789	
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劉子明	湖南	675	大學畢業	醫生	長沙	2345	
周志強	四川	678	中學畢業	農民	成都	6789	
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陳永年	廣東	725	中學畢業	公務員	廣州	2345	
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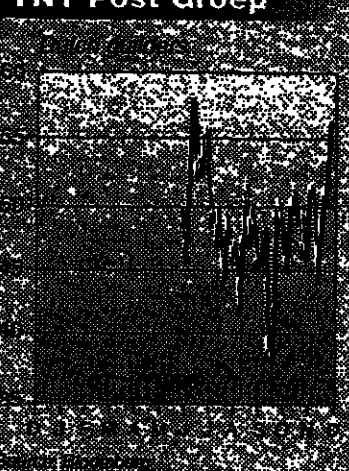
Season of Civil Look at Return Companies That D

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FDX



TNT Post Groep



In a Season of Giving, A Look at Returns From Companies That Deliver

By Judith Rebek

WHAT BETTER TIME of year to check out investing in companies that get your letters and packages where you want them to go—and fast—than during this season of annual gift-giving holidays?

This is the moment when timeliness and other benefits of mail and package-delivery businesses are at their most obvious to consumers. But as big as Christmas is, there is a lot more going on in the delivery industry today. Depending on where these companies operate—and increasingly their mandates are global—the issues run the gamut, from privatizations of government-run postal services, mergers and acquisitions, Internet commerce and even warehousing and freight-forwarding services.

Two weeks ago, for example, shares in FDX Corp., the parent of Federal Express, the world's largest overnight delivery service, leaped 7.18 percent in one day, as Internet hype swept the sector. The run-up came amid predictions that the grow-

Kuehne & Nagel



ing numbers of consumers shopping on-line would fuel a boom in demand for delivery services.

As familiar as FedEx is to consumers around the globe, its share performance over the past few years has been disappointing. Moreover, a number of analysts were disappointed with the Internet story. Jeffrey Kauffman of Merrill Lynch & Co. noted that Federal Express specializes in the expensive, first-48-hours-of-delivery segment of the market.

"When we think about what we order on the Internet, we don't want to pay \$20 on a \$30 compact disk to get it tomorrow," he said. In his view, FedEx has seen the most interest because it is the largest of the public companies, but it is the U.S. Postal Service and United Parcel Service, which specialize in the less-costly, but slower 72-to-96-hour delivery sector, that will profit. Neither of them are public companies.

As an investment, Mr. Kauffman said he prefers Airborne Freight Corp., a smaller company that, like FedEx, specializes in the first 48 hours of delivery. "They are in my opinion the best no-frills, high-service, low-cost alternative in that group," he said. Airborne also compares well with FedEx price-wise. "FedEx is at 18 times earnings right now, while Airborne is at 10 times earnings," he added. "On a price-earnings basis, that makes it 40 percent cheaper than FedEx."

Mr. Kauffman also favors another lesser-known player, CNF Transportation Inc., which owns Emery Worldwide Airlines, a market leader in the heavy parcel business. Emery has a \$1.7 billion contract with the U.S. Post Office for sorting and transporting Priority Mail. Its 12-month target price for CNF shares, currently trading around \$30, is \$50.

But for many analysts who follow this sector, Europe is where the action is. Privatization, or preparing for it, is transforming once-sleepy, government-owned postal services into big companies that are being managed

just like corporations, cutting costs, restructuring and making acquisitions to build critical mass in related businesses. Their objective: to join the ranks of the global mail, package and freight delivery services.

A notable example is TNT Post Groep NV, the publicly listed Dutch mail and freight service, which has three areas of business: delivering ordinary mail throughout the Netherlands, global express mail and logistics, such as warehousing and distributing auto parts for customers, including Fiat SpA and Ford Motor Co.

Stephen Vrolijk of ABN Amro said he likes TNT Post Groep's prospects, even though some analysts are worried about the effects of a global economic slowdown on the company's business.

"We don't think the effects will be so hard because of the mail and express revenues," he said, noting that mail service in the Netherlands, a TNT Post Groep monopoly, accounts for nearly 80 percent of the company's operating profit. "Mail is the financial engine that produces the cash flow that they will use to improve the other divisions."

In any case, TNT Post Groep already is highly profitable, said Mr. Vrolijk. Some of its gains, he said, have been masked by costs of restructuring and acquisitions, "but we're now at a time in 1999 and 2000 when most of the revenues resulting from these reorganizations will start to come through, and we expect a lot of margin improvement." He is estimating earnings per share of 1.80 guilders (\$1.95) for this year, and 2.25 guilders for 1999. Mr. Vrolijk said he expected the company to make more acquisitions for its express and logistics business. "By combining mail and logistics, they can offer their biggest business customers a whole range of guaranteed deliveries," he said.

Among the prime candidates are small freight-forwarding companies in Europe. With the relaxation of customs regulations, and the common currency looming, the traditional services these companies provided is no longer in great demand, making them prime takeover candidates for bigger players who are branching out into other areas.

In one such example, Deutsche Post AG, the German postal service, which will itself be privatized in 2000, has been on a buying spree. Its most recent acquisition is Danzas Holding AG, a Swiss freight forwarder, for \$1.08 billion. The announcement of the deal two weeks ago produced a tidy 36 percent windfall for Danzas's shareholders and fueled share price run-ups in Europe's fragmented freight-forwarding sector.

This week, TNT Post Groep snapped up a French-based express-mail company, Jet Services SA, for 2 billion francs (\$363.6 million). Earlier this year, Jet Services purchased Nacht Verteiler Service of Germany.

Other likely targets include Kuehne & Nagel International AG, another Swiss freight-forwarding company. Kuehne & Nagel has a contract with DHL Worldwide Express, a private American company, to carry parcels in Europe, Africa and the Asia-Pacific. Takeover speculation started in October when Viag AG, the German utility, said it would sell its 30.3 percent stake in Kuehne.

Martin Dixon-Ward, who follows the company for Flemings Securities in London, said Kuehne deserved to be bought simply as a good-quality candidate. "It's very tightly run and very profitable," he said. "While their business is similar to Danzas, their margins are wider." He added that Kuehne operated in the more profitable container-size goods area, concentrating on air and ocean freight.

Moreover, investors looking for a quick acquisition play could be disappointed. Mr. Dixon-Ward noted that the company's chief executive, Klaus Michael Kuehne, is the majority shareholder. "Viag might sell if they can get the right price," he said, "but they are not in a hurry, in my view."

Should Investors Bank on the Post Office?

By Barbara Wall

ALMOST EVERY town in Europe has at least one, but can the post office compete with banks and other financial institutions for the savings of small investors? About 30 postal systems around the world, most of them in Europe, operate virtually as full-service banks, with investment services and checking accounts.

The image of the post office has changed over the years. It used to be seen as a solution for simple savings products and no-frills checking accounts. Now, many post offices have savings products linked to stock markets, while some offer telephone brokerage services and on-line banking.

In many cases, this change of image has come about because of internal reorganization. For example, in the Netherlands, the financial services arm of the post office was privatized in the mid-1980s and became Postbank. Postbank then merged with Nationale Nederlanden in 1990 to form part of ING Group NV. Branches of the state-owned Dutch post office still act as a distribution channel for Postbank products, but that is the limit of their association.

Similar developments have occurred in Belgium, Denmark, Germany and Italy. Girobank, the financial services arm of the Danish post office, became part of BG Bank in 1996. Banque de la Poste in Belgium is owned jointly by the Belgian government and Fortis Group AG. Deutsche Postbank AG in Germany, meanwhile, is a full-fledged state-owned credit institution, but the government is planning to begin privatizing it in 2000.

France is one of the few countries in Europe where the post office remains intact. La Poste is a national institution, wholly owned by the state, which has not announced plans to privatize it.

Post office products and services differ markedly from country to country, but most of the national post offices surveyed have two features in common: They have a reputation for value and convenience, and almost anyone can open an account, even nonresidents.

Generally, you do not have to be a citizen or a resident to invest with any of the national post offices in Europe. But you will probably have to be physically present to sign the necessary documentation. A spokesman for Dutch Postbank said that depending on where an account holder lives, it might be possible for the papers to be signed at a foreign subsidiary of BG Bank.

Banque de la Poste usually requires account holders to have a postal address in Belgium, but nonresidents can still open an account if they have a mailbox number in Belgium. This number can be arranged through the Belgian post office.

In all cases, some form of identification is required to open a postal savings account. In Germany and Denmark, a passport will usually suffice. In France, applicants must show a passport and a recent utility or telephone bill bearing the home address.

Of all the state-owned post offices in Europe, La Poste probably offers one of the widest ranges of products and services. It also has a reputation in France for offering some of the best savings rates on the market and the lowest account-maintenance charges.

In a recent survey of 15 major credit institutions by a French consumer magazine, La Poste was found to be the least expensive and the one that offered



the best value. It is also one of the largest credit institutions in France. It has over 18,000 branches and more than 26 million clients. There are 10 million checking accounts held with La Poste and 23 million savings books.

La Poste offers a variety of investment products, including guaranteed stock mutual funds, passbook savings accounts for youngsters and for low-income savers, and life-insurance products.

According to a spokesman for La Poste, the most popular savings product is a simple, tax-efficient savings plan called Livret A. With Livret A there is no minimum investment threshold and customers can invest or withdraw funds whenever they choose, without having to pay commission or tax. Livret A offers an interest rate of 3.5 percent—one of the best rates in France for this type of savings product—but the investment is limited to 100,000 francs (\$18,000).

A customer of La Poste can buy any equity or bond on the Paris stock exchange or on foreign stock exchanges through the post office. The order can be made with one of the financial services consultants at the post office or by telephone at 20 investment call centers. Expect to pay dealing charges and commission of about 1 percent for equity purchases and 0.25 percent for bonds.

The Belgian post office does not have the breadth of product range that is available in France, but it is a major force in the country's financial services industry. It is not possible to buy stocks or bonds through the Belgium post office, however, and the products that are available are limited to simple savings plans that pay 3 to 3.80 percent in annual interest.

Since November, a new savings product linked to the Belgian stock mar-

ket index, the Bel 20, has been available to post office customers. Post-Click is a capital-guaranteed equity fund. The minimum subscription is 25,000 Belgian francs (\$730), and investors must keep their investment in the fund for seven years.

Postbank AG in Germany has recently streamlined its product range. There are two simple savings contracts for investments under and above 3,000 Deutsche marks (\$1,875). The interest rates are 1.50 percent and 3.0 percent, respectively. Postbank customers can also buy savings bonds, or *Sparbrief*. The minimum investment is 5,000 DM and the money must stay invested for six years. The annual interest rate on Sparbrief is 3.75 percent.

Customers of Postbank AG cannot trade stocks and bonds, but they can buy any of 17 Postbank mutual funds. All of these funds are relatively new—the first was introduced in February 1996. The best-performing fund of the bunch is the Postbank Dynamic Global investment fund, which has chalked up a return of more than 200 percent since it started two years ago.

The Danish post office, Post Danmark, sells simple products of BG Bank, including checking and savings accounts. The top rate of interest payable on a fixed-interest savings product is currently 4 percent. For equity-linked products or stock dealing, customers are generally referred by the post office to BG Bank.

"Considerable potential lies in the referral of customers from post offices to BG Bank and in the establishment of BG Bank branches at selected post offices," a spokesman for BG Bank said. "The bank's distribution network now comprises 270 branches, as well as 1,141 post offices. Bank branches are found at 14 post offices."

Postbank is one of the largest players in the Dutch savings market, with seven

million account holders. At the heart of the bank's product range lies the Giro account, which is a simple checking account widely used by businesses and retail customers for bill payments. There are also a range of Giro savings accounts, offering different rates of interest depending on the balance.

Customers also have a choice of nine Postbank investment funds.

Customers of Postbank can trade in shares and options on the stock exchange via the stock exchange order "line," or *Beursorderlijn*. Postbank has also introduced a computerized share-price information line for customers. The bank does not charge commission for these on-line services.

Banco Posta, the financial services arm of the Italian post office, is also a state-owned enterprise. It, too, offers a range of basic savings and checking account products, although the stated aim of the bank is to become more like the privatized savings banks in Italy.

"Serious investors are unlikely to have an account with the Italian post office," said a spokesman for Comitato Consumatori Albroconsumo, or CCA, an Italian consumer's association. "Its main customer base is the elderly and the retired."

"Although some of Banco Posta's products are reasonably competitive," he added, "the bank is not as convenient as many other savings banks. If you want to deposit money with the post office, you have to go there physically and use the same branch on each occasion. Also, on-line banking is very popular in Italy, but Banco Posta does not offer this facility."

For further information, call:

- BANCO POSTA (Italy): 39 1 42 86 30 11
- BG BANK (Denmark): 45 43 30 70 00 ex 44 (71 417 1000)
- DEUTSCHE POSTBANK AG 49 69 156 20
- LA BANQUE DE LA POSTE (Belgium): 32 2 204 66 16
- LA POSTE (France): 1 31 44 56 21 34
- POSTBANK (Netherlands): 31 20 584 6444

Japan's Thriving Postal System Saps Private Sector

By Miki Tanikawa

IT WOULD SEEM safe to assume that with a slew of convenient services, a fifth of the country's national savings and better interest rates than its private-sector competitors, Japan's postal banking system was an admirable establishment. But the world's largest depository institution is in fact one of the most reviled branches of the Japanese government.

Thanks largely to its popularity with rural consumers and fears about the future of the country's financial system, the postal banking system, popularly known as *Yūcho*, keeps drawing deposits. Individuals have put more than 250 trillion yen (\$2.1 billion) into the system, which dominates personal savings in Japan.

The problem with the system is that it has soaked up a third of the country's savings deposits at a time when many commercial banks are facing severe difficulties. This money is channeled into public works under a government fiscal investment and loan program. Many of the bridges, roads and ports that are financed in this way are little used and unprofitable.

This is not of much direct concern to depositors. The Finance Ministry, not the post office, allocates the funds and is responsible for repaying the loans. So the deposits have a government guarantee and thus are safer than money in a bank. Not only that, but for accounts of up to 10 million yen, the interest rate is 0.15 percent.

That might not seem like anything to cheer about until you consider that com-

mercial banks are paying 0.1 percent for instant-access accounts. For one-year-term postal deposits, the rate is 0.2 percent. At private banks, 0.15 percent is common for the fixed one-year rate.

To counter the intensifying argument that it should be privatized, the postal bank is creating new and innovative products and services. One is a postal cash card that doubles as a Citibank cash card and can be used throughout Citibank's global network outside of Japan. The card also functions as a debit card at stores that are members of the Maestro system.

Cash cards can be used only to withdraw money from cash dispensers, while debit cards can be used at retailers

and the money is deducted from the holder's bank account instantly.

Another new service on the horizon is the planned interconnection of the postal bank's automated teller machine system with that of commercial banks, allowing customers to withdraw cash from both networks. The Postal Ministry also has concluded an agreement with the Japanese credit card company Credit Saison and Visa International on a card that will triple as a cash, debit and credit card, starting early next year.

There are other convenient aspects to postal-system banking. Most of its 24,000 branches have ATMs, which, although they tend to be located in res-

idential areas away from preferred locations such as train stations and shopping districts, may be the only cash machines in some rural areas.

The Post Ministry has been aggressive in terms of establishing tie-ups with credit card companies and have produced about 40 types of credit cards that draw on Yūcho savings accounts.

ANOTHER ATTRACTIVE feature of the postal ATMs is that they do not have fees for cash withdrawals, no matter where the money is taken. Travelers can access their cash anywhere in the country and parents can use the system to send money to children attending college in other cities, a de facto fee remittance system.

Even when out-of-town use is not a consideration, the postal bank's cash cards beat those of commercial banks. Like their private-sector competitors, they do not require minimum deposits nor annual account maintenance fees.

Where fees are charged, they are often less than at private banks. An international money order in dollars, for example, with a value of 100,000 yen or less, costs only 1,000 yen at the post office, compared with 2,500 yen elsewhere. Money wired abroad is sent at a charge of 1,400 yen, less than half the 3,500 to 4,500 yen a bank would charge its savings account holders.

It is not necessary to have an account to remit money at a bank, although an account is required at the postal bank to use this money-wiring service.

— MIKI TANIKAWA

IMF Program Benefits South Korean Savers

WHILE JAPANESE depositors are offered ultra-low interest rates, South Koreans enjoy a one-year fixed deposit rate of 9 percent annually at their postal bank, thanks mainly to the International Monetary Fund's structural adjustment program, which requires a tight-money policy.

As the currency crisis subsides, the interest rates are falling, however. The same one-year fixed-deposit program offered an interest rate of more than 15 percent only six months ago.

Generous as it is with interest rates, South Korea's postal savings program is not the giant that the Japanese postal bank is.

It has 2,865 post offices around the country, with a total personal deposit of 9 trillion won (\$3.3 million), compared

to 500 trillion won for the total national personal savings.

An official in the international postal division at the Ministry of Information and Communication said that the rates at the postal bank were generally lower than the equivalent rates at private banks.

He also noted that the postal banking system offered no financial services that set it apart from private financial institutions.

Still, for cash withdrawal, the postal system charges a smaller fee than those at private banks.

Indeed, a South Korean financial official in the government said, "We have tried to curb the growth of the postal bank, so as not to repeat the mistakes in Japan."

THE MONEY REPORT

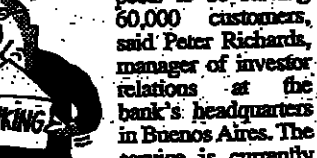
Argentina Bank Visits Post Office

By Aline Sullivan

POST OFFICE banking is just getting started in Latin America, and Banco de Galicia is first off the block. The Argentine bank owns 12.5 percent of an investment group that in October won a 30-year concession to run the country's official postal service, Correo Argentino. Other members of the consortium, including its leader, Sociedad Macri SA, are not finding the going easy, analysts said. That is not surprising, considering that they won the deal by offering to pay the state \$100 million a year, or 40 percent more than the amount offered by their rivals, including units of Citicorp and ING Bank, for a post office saddled with a reputation for inefficiency. Until the deal, only limited savings accounts were available through the post office. Because of rampant inflation, there were few takers in the 1970s and 1980s.

But Banco de Galicia believes that is changing. "It is an important part of a good idea," said Yovanka Vylander, financial services analyst for Latin America at Morgan Stanley Dean Witter Inc. "It gives the bank a low-

cost way to access fee-paying clients without all the bother of building brick-and-mortar branches."



The bank has already opened 60 branches at post office sites. That number should rise to 100 by June and to 400 by 2002, when the bank will have spent a projected 10 million Argentine pesos (about \$10 million) on set-up costs and expects to be serving 60,000 customers, said Peter Richards, manager of investor relations at the bank's headquarters in Buenos Aires. The service is currently limited to personal loans, debit and credit cards, and savings accounts, which offer 2.5 percent annual interest.

There is plenty of room for growth. Correo Argentino has more than 6,600 locations around the country and Banco de Galicia has the exclusive right to install points of sale in each. This new distribution network, Galicia Ahora, is an ideal channel for servicing "nonbanked" customers, Mr. Richards said, as it combines the Galicia brand outside a traditional bank branch and has a low operational cost.

Forecasting Formulas for Unpredictable Wall Street

WHAT WILL 1999 bring in the stock market? A Reuters survey finds that analysts believe the Dow Jones industrial average will rise by an average of about 500 points, or 6 percent.

Sounds reasonable, but, of course, it is utter nonsense. No one has the slightest idea what stocks will do next year, and investors, who must have a long-term view, should not care.

But we do care. It is only human. We turn to specialists to tell us the future, even though they have not got the foggiest idea themselves. It is a practice that goes back thousands of years.

For three decades, Yale Hirsch, who publishes the "Stock Trader's Almanac," has been following the long-term effects of what economists call "exogenous," or outside, factors such as election cycles on the stock market.

The election cycle is particularly powerful. Since 1832, in pre-election years the Dow (and its 19th-century predecessors) gained an average of 10 percent annually, not including dividends; in election years, the Dow gained an average of 7 percent, also a substantial advance.

BUT IN THE first year after an American presidential election — that is, a post-election year such as 2001 will be — the Dow gained an average of only 2 percent in mid-term election years (like 1998), the gain has been just 4 percent.

House after the assassination of John F. Kennedy. In that pre-election year, the S&P rose 19 percent — following a decline of 12 percent in 1962, a dreaded mid-term year.

Why does the presidential cycle work so well as a predictor of the market? Mr. Hirsch believes that, facing presidential elections, politicians do the best they can to boost the economy.

Farther from elections, without voters to discipline them, they often take risks and get the nation into trouble. "Presidents want to be re-elected," says Bill Staton, a financial analyst in Charlotte, North Carolina, who is another long-time follower of the cycle.

They tend to do negative things to the economy in the first two years of a term, then turn up the juice for the following two," he added. "It's the equivalent of Popeye eating a can of spinach."

MR. HIRSCH writes, "Wars, recessions and bear markets tend to start or occur in the first half of the (presidential) term; prosperous times and bull markets, in the latter half."

Think about all the terrible things that have happened in post-election years: The start of the Civil War, 1861; the U.S. entry into World War I, in 1917; the stock market crash, in 1929; U.S. entry into World War II, in 1941; Bay of Pigs, in 1961; the start of the Vietnam War, in 1950.

has been soaring, with not much regard to presidential cycles. The only two losing years for the S&P in the 1990s were mid-term years, and the best year, 1995, was a post-election year.

But in 1997, a post-election year, the S&P registered a gain of 31 percent, and in 1998, a mid-term year, it is up about 20 percent so far.

ANOTHER STRONG pattern — this one with no discernible explanation — is the decennial cycle, originally identified by Edgar Lawrence Smith in his book, "Common Stocks and Business Cycles." Since the 1880s, years ending in 5 have a perfect record — never a single decline in the S&P. Years ending in 2, 8, and 9 are second-best, with only two declines each.

The worst years by far are those ending in 0, during which the S&P has dropped eight out of 11 times. Finally, as the year draws to a close, Mr. Hirsch reminds us of the Santa Claus Rally, which has appeared in more than 80 percent of the years since 1952 and lasts for seven days — the last five trading days of the waning year and the first two of the new.

In the current case: Dec. 24, 28, 29, 30 and 31 and Jan. 4 and 5. What do these patterns mean to smart investors? Next to nothing. They should not affect your strategy, which should simply be to find good businesses and decent prices and hold them for a long time.

But, as we approach a scary year, history may give you the courage to stay the course.

Washington Post Service

JAMES K. GLASSMAN ON INVESTING

one coming up. It has scored double-digit gains in 10 of the 14 years. By contrast, the Dow has fallen in seven post-election years since 1940, notching double-digit losses four times.

What if Bill Clinton is removed as president? Not a problem, says Mr. Hirsch, who told me simply that "the biggest bull market of all time would continue."

Also, look at the last time such an event occurred. In 1974, a mid-term year in which the market was down 32 percent (following 1973, a post-election year, in which it fell 14 percent), Gerald Ford became president upon the resignation of Richard Nixon.

But in 1975, a pre-election year, the S&P shot up 32 percent, its best performance until 1995, which was also (you guessed it) a pre-election year.

Or consider 1963, the year Lyndon Johnson acceded to the White

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SPORTS

Kjus the Schuss Beats Austrians in Downhill

2d Victory Puts Norwegian Atop World Cup

VAL, GARDENA, Italy — Lasse Kjus of Norway captured his second consecutive World Cup downhill victory this season as he beat the favored Austrians, Werner Franz and Hermann Maier, here Friday.

His second triumph in seven days qualified the 27-year-old Norwegian skier atop the World Cup overall standings, with 413 points, ahead of Stephan Eberharter of Austria.

Kjus, a World Cup overall champion in 1996 and a silver medalist in the Olympic downhill at Nagano this year, had a flawless run down the icy Saslong course as he clocked an unbeatable time of 2 minutes, 2.18 seconds over the 1,495-meter distance.

It was the eighth World Cup career victory — the fourth in downhill — for Kjus, who had captured the first speed race of the season at Val d'Isere, France, last Saturday.

Kjus finished 0.91 seconds behind Maier, the defending World Cup champion, trailed Kjus by 1.10 seconds. Kristian Ghedina of Italy, the defending Val Gardena champion, placed fourth, ahead of Kjetil Andre Aamodt of Norway.

The race was marred by two bad falls. A Norwegian skier, Lasse Fjellheim, crashed through the finish line, escaped unhurt and still placed 13th.

David Pretot of France crashed against safety fences in the upper part of the course and was taken away on a toboggan. Organizers said Pretot possibly twisted his right knee and that he would undergo medical examinations later in the day.

Kjus, an all-around skier who can pocket World Cup points in all disciplines of Alpine skiing, said he won a grueling race "on an icy track, with a lot of big jumps."

"When you jump too long you lose time, and you certainly feel them in the legs after a run like this. I am overjoyed with my second downhill victory," the Norwegian said.

In Veysonnaz, Switzerland, Hilde Gerg of Germany won the women's World Cup downhill Friday on an icy course.

Gerg, the Olympic slalom champion whose previous best World Cup downhill result was second place in Val d'Isere more than a year ago, turned the treacherous 2,500-meter (8,202-foot) Piste de l'Ours in 1 minute, 41.13 seconds, to collect her seventh career World Cup victory.

"On a difficult, tricky course like this one, it's clear that technical skiers were at a strong advantage," said Gerg, who

has won seven races in as many years on the World Cup circuit. "I like this type of course."

"But still, a course like this one is still very difficult for technical skiers, for it can be hard to find the right line and master your skis to avoid a fatal mistake."

The 1997 overall World Cup champion Pernilla Wiberg, still seeking her first victory of the season, settled for second, crossing in 1:41.55.

Wiberg, who labored through an injury-plagued campaign last season, was relieved with her second place.

"This was so good for me," said Wiberg, who is aiming for a second overall title. "It was tony and icy, which I like."

"I thought I might have a chance after the training runs, but it's very easy to make a mistake on a course like this and lose your line."

Bibiana Perez of Italy was the day's other surprise, finishing third behind Gerg in 1:41.63 for her first career downhill podium. The overall leader, Alexandra Meissnitzer, winner of four races this season, including back-to-back victories in Val d'Isere last week, placed fourth in 1:41.92.



Hilde Gerg racing to victory Friday in the World Cup downhill.

Are Supercharged Coyotes Losing Spark?

The Associated Press
Stop the presses — or at least slow them down. The Phoenix Coyotes have lost two straight.

"We don't really care what the media or anyone thinks, we're just

NHL roundup

here to play." Coyotes defenseman Teppo Numminen said after a 3-2 loss Thursday night to the St. Louis Blues. "We can't panic here. We just have to go back to the simple things that got us here."

The loss is newsworthy, though. The Coyotes had only lost three games in their first 24 while getting off to a franchise-best 17-3-4 start. Now they have not only lost two straight games, but are winless in three (0-2-1).

"We didn't have the energy to get it done," said Coyotes coach Jim Schoenfeld. "For the most part, I was thrilled with the effort. But there was just no fuel in the tank."

They're just a tired group right now. We're just a tired group right now. We're just a tired group right now.

go as the host Blues ended a six-game winless slump. Demitra leads the Blues with 15 goals, and has had four goals called back when teammates were caught in the crease. Marty Reasoner and Scott Pellerin also scored for the Blues.

Numminen and Rick Tocchet scored for the Coyotes.

Boston 5, Senators 2 Ray Bourque tied Gordie Howe for third place in career assists with 1,049 and became just the 10th player to appear in 1,400 NHL games as Boston defeated visiting Ottawa.

Bourque had two assists and now trails only Wayne Gretzky and Paul Coffey. The only other active players with 1,400 games are Gretzky and Larry Murphy.

Florida 3, Panthers 3 In Philadelphia, Cory Stillman's power-play goal at 6:59 of the third period helped Calgary erase a pair of two-goal deficits and tie the Flyers.

Clarke Wilm and Jeff Shantz also scored for the Calgary Flames. Petr Sykora, Mikael Renberg, and Mark Buehler scored for the Flyers. Navy's Demitra scored with 3:21 to

Nothing Wrong With 14-1

After Upset Loss, Broncos Are Likely to Roll

By Thomas George
New York Times Service

Denver (12-1) at Miami (9-5) This Monday night match was supposed to be The Game, the one that would decide if the Broncos recorded an unbeaten regular season, but the New York Giants took care of that last week. Denver-Miami, however, still provides plenty to anticipate. It gives us ballyhooed quarterbacks in Denver's John Elway and Miami's Dan Marino, the only two passers in league history to have compiled 50,000 passing yards.

It gives us the terrific running back Terrell Davis against a Miami defense that has allowed just 8.7 points a game at home, where the Dolphins are 6-1 this season. It can't be a perfect season for Denver, but 14-1 sounds awfully nice. Davis rips. Denver roars. Prediction: Broncos, 27-17.

New York Jets (10-4) at Buffalo (9-5) The Jets hammered Buffalo, 34-12, back on Nov. 8 and shut down Doug Flutie while Vinny Testaverde soared (258 passing yards, three touchdowns). The roles will likely be reversed. Flutie will want this game badly and he will play with emotion and determination. But the game will probably be reduced to the running of Antowain Smith for the Bills and Curtis Martin for the Jets. Who wins that battle? Go with Martin. Jets, 23-21.

Tampa Bay (7-7) at Washington (5-9) Lately the Redskins are showing some life. Quarterback Trent Green has thrown 14 touchdown passes and only two interceptions in his last seven games. But Tampa Bay still has plenty to play for: a shot at the playoffs if it ends with consecutive victories. Buccaneers, 19-17.

Baltimore (5-9) at Chicago (3-11) The Ravens' season of high hopes has spiraled into despair. Of course, the Bears have known little but despair for consecutive seasons. This game could be full of mistakes; expect Baltimore to make a couple fewer, and that wins the game. Ravens, 28-23.

Kansas City (6-6) at New York Giants (6-6) Kansas City beat Dallas and the Giants beat Denver last week, so both teams enter on high notes at a time when their identical records mean that their seasons have been busts. Both teams won their divisions last year but now see tougher times. Momentum should swing the Giants' way, playing at home. Giants, 24-21.

Cincinnati (2-12) at Pittsburgh (7-7) This is the game for the Steelers when quarterback Kordell Stewart rolls, when Jerome Bettis busts through the defense, when linebacker Jason Gildon adds to his team-high sack total and when Pittsburgh, for a game, feels good again. Steelers, 31-14.

St. Louis (4-10) at Carolina (2-12) The Rams upset New England and now feature Steve Bono at quarterback for the rest of the season, replacing the injured Tony Banks (knee). The Panthers cannot wait to get this season completed. Rams, 21-9.

San Francisco (11-3) at New England (9-5) Big game for New England. It loses and its playoff chances are hurt immeasurably. And it must play without quarterback Drew Bledsoe and with Scott Zolak as his replacement. This is a game the Patriots must win with defense. Patriots, 21-20.

NFL matchups

Tennessee (8-6) at Green Bay (9-5) The Oilers look at this as a supreme test in their quest for respect and for the playoffs. Brett Favre is the present, but Oilers' quarterback Steve McNair is the future. Oilers, 37-25.

Indianapolis (3-11) at Seattle (7-7) Seattle is one of the biggest underachievers in recent years. The Seahawks are better than their average record, and they show it for a game. Seahawks, 33-17.

Oakland (7-7) at San Diego (5-9) The visiting team in this matchup has won four of the last five meetings and nine of the last 12. Look for Chargers' tight end Freddie Jones and the team's defense to buck the trend. Chargers, 16-13.

Atlanta (12-2) at Detroit (5-9) This game has "Win One for Dan Reeves" swirling all over it. Reeves, the Falcons' coach, could be released soon from an Atlanta hospital after undergoing quadruple bypass surgery. He will not be in Detroit for this game, but his players will and that is plenty. The Lions, a team with so many holes, continue to waste the special talent of Barry Sanders. Falcons, 23-17.

New Orleans (8-6) at Arizona (7-7) Arizona makes the playoffs if it wins. Tampa Bay loses and the Giants lose or tie. It would be the Cardinals' first playoff appearance in 16 years. That is an awfully long time and a great incentive to win.

And Arizona will, behind the running of Adrian Murrell (he needs 48 yards for his third consecutive 1,000-yard rushing season). Cardinals, 18-15.

Philadelphia (3-11) at Dallas (8-6) Footsteps. Dallas hears them. They have slipped to only a one-game lead over Arizona with two to play. And Dallas' final two games are against divisional foes (the Eagles and Redskins) who know them well. Since Koy Detmer became the Eagles' starting quarterback, Philadelphia has averaged 16.7 points in three games; before that, it averaged 8.4 points. The Eagles might steal this one. Cowboys, 21-20.

Jacksonville (10-4) at Minnesota (13-1) Randall Cunningham has a 107.2 quarterback rating. Robert Smith is averaging 4.7 yards a carry. Minnesota is averaging nearly 400 yards of offense a game. Randy Moss leads the NFL in receiving yards (1,209). John Randle leads the Vikings defense with 8.5 sacks. Minnesota is rolling. In come the Jaguars. If Mark Brunell is healthy and can play four quarters, the Jaguars will make it ugly. Vikings, 30-20.

DENNIS THE MENACE



"Come sit here, Mom, and you'll be on the fifty-yard line."

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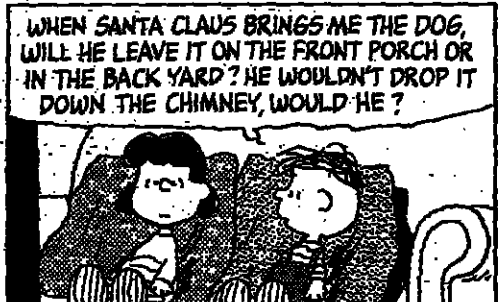
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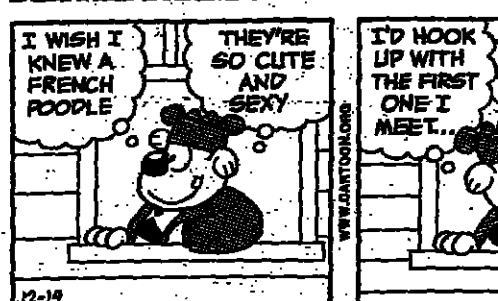
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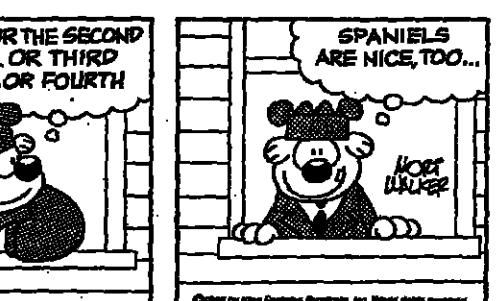
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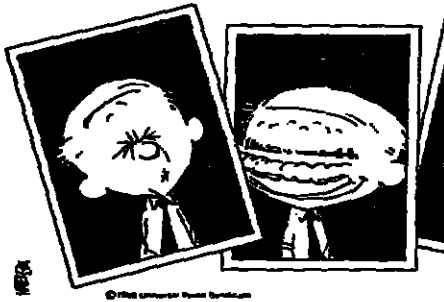
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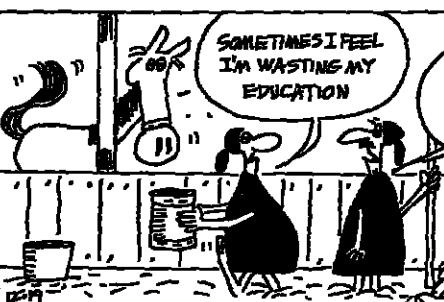
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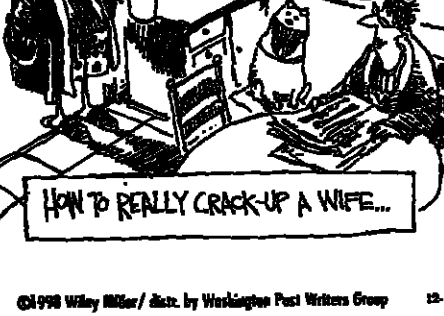
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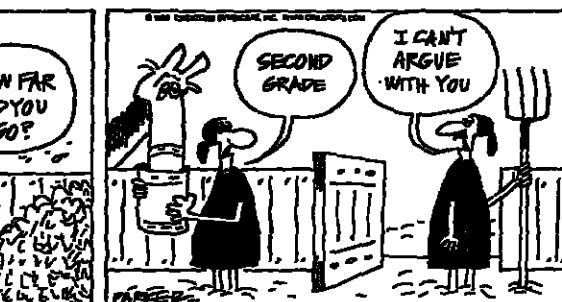
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DAVE BARRY

Open, Insert Backhoe

MIAMI — I was feeling pretty good when I went to see Stanley. Stanley is my dentist. I chose him because he meets the American Dental Association's single most important criterion for selecting a dental-care professional: He looks exactly like Willie Nelson.

If Stanley put on a headband and got on stage at a country-music concert, the audience members would absolutely believe that he was Willie Nelson, except that instead of telling them not to let their babies grow up to be cowboys, he would tell them to floss.

I usually feel good about going to see Stanley for my regular checkup, because he hardly ever finds anything wrong. What's my technique for achieving such excellent dental health? Simple: I don't let Stanley anywhere near my mouth.

I happen to have a really, really, really sensitive gag reflex.

If anybody tries to put anything into my mouth, my body immediately goes into what the medical profession calls Ralph Mode. Everybody has a gag reflex: It's a natural biological defense that your body has developed over the eons to protect you from the danger that people will sneak up when you're not paying attention and put ununderstood socks in your mouth.

Or — to pick the worst-case scenario — you're at the beach, you doze off lying on your back, and a crab climbs into your mouth and mauls.

My gag reflex is so sensitive that it starts acting up pretty much the instant that Stanley walks into the dental-examination room. He has to conduct the examination by sticking just his head through the doorway, asking me questions, and trying to catch a glimpse of my teeth and gums when I open my mouth to answer. So usually I escape from my checkup with only a few observations ("Your right upper incisor has a small buildup of crab molt, but we can take care of that another time") and no threat of major dental care. But this last time, Stanley, from across the room, was somehow able to spot something that caused him to say the most terrifying word in the English language: "periodontist." This word comes from the Greek words "peri-dont," meaning "gum," and "ist," meaning "who roots around in your mouth with what feels like a backhoe."

Periodontists work on your gums, which are a specialized type of tissue brilliantly designed by Mother Nature to keep the roots of your teeth safe and healthy from the day you are born until the day you turn approximately 23 years old, at which point Mother Nature apparently thinks you should either die or switch to an all-grits diet.

My specific problem is that I have a receding gum line, which is similar to a receding hairline, except that, tragically, you cannot grow your side gums really long and comb them over the problem area.

So Stanley sent me to see a periodontist named Ron, who does not look like a major musical star, although he does like to sing along to the oldies songs on his office sound system. And thus I found myself lying in Ron's dental chair, my body as calm and relaxed as a bridge girder on a cold day, desperately trying to control my gag reflex while Ron leaned over me, holding a scary implement in his hand and singing, with the Righteous Brothers, "You've lost that LOVIN' feeling, who-oh that LOVIN' feeling..."

Thanks to anesthesia, I lost that lovin' feeling in my gums.

because Ron — WARNING WARNING WARNING DO NOT READ THE END OF THIS SENTENCE — took a piece of tissue off the roof of my mouth and sewed it onto the receding-gum area. I'm wondering if this technique could be used on receding hairlines as well. Granted, balding men would look pretty silly with little pieces of mouth tissue sewn onto their heads. But that would still look more natural than a comb-over.

I'm assuming that the tissue that Ron took off the roof of my mouth will grow back. But maybe not. Maybe I'll have to go to another health-care professional, who'll take a piece of tissue from somewhere ELSE and sew it on the roof of my mouth, and then send me to ANOTHER professional to replace THAT piece, and so on, with me being sent around the entire medical profession, like some kind of human chain letter, until all my tissue has been relocated to some other part of my body and I look like Jeff Goldblum at the end of "The Fly." This has me worried, as I sit here waiting for these painkillers to kick in. I hear they can have strong side effects, but so far...

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Your right upper incisor has a small buildup of crab molt.

John Updike Struggles Against Inevitability

By David Streitfeld
Washington Post Service

BOSTON — Thirty years ago, John Updike told Americans what they were doing under the covers, and they liked it. His novel "Couples" recounted in exalted prose the sexual intermingling of five husbands and five wives in the mythical town of Terbox. "Welcome," declares one character, "to the post-pill paradise."

This was sex as the new religion, as the only thrill left. People read it as a report from the field, wondering in amazement if their neighbors were really living such erotic lives. The novel, which delighted in descriptions of the oral act, created a sensation, became a No. 1 best-seller, was denounced as sensationalist, Updike made the cover of Time.

"I was trying to get at people's sexual behavior, give it a little more exposure," the author says. "Oral sex was part of high school sexual lore, underworld lore, prostitute lore, but it hadn't been mentioned in many novels you could get through book clubs."

He was a missionary, carrying on a bit of determined daring in the great tradition of James Joyce and D.H. Lawrence. It was a long time ago. Today, people no longer read books like "Couples" or Philip Roth's "Portnoy's Complaint" simply because they describe physical acts. The battle for sexual realism has been won.

For his part, Updike says he is more worried that no one reads him. His new collection of stories, "Bech at Bay," is grimly funny and, as always, wondrously written, but sales could not be described as brisk. He has got much more attention for trashing Tom Wolfe's new book.

At 66, his impending obsolescence pains him. "I go to a college to speak and am treated like a little king, get applauded at the end — you'd be applauded no matter what you did up there. You get a lot of love that way, people line up with the used paperbacks to be signed. But you go into an airport bookstore on the way back and there's no Updike there. There's no Updike at all. I'm a vanished man, a nonentity as far as mass readership goes. I didn't used to always be."

There was that moment with "Couples" when he had news, some new things to say. "I'm not sure I have that now," he says.

He's in gray sweater, gray pants, a gray mood. He describes his life as "one ordeal after another." He refers to his "elderly bladder." Phrases like "when I was young



John Updike in Boston, appearing on the Christopher Lydon show.

and "in my youth" crop up. He says he is going to quit reviewing, that ideas for short stories come much more rarely, that inspiration for his next novel is proving scant. He talks about his fantasies of slugging critics and banishing all interviewers.

"I could die in the middle of this interview," he says with hope, "and at least I wouldn't have to go to the next one."

Writers whine all the time, but this is Updike. No novelist in the country is as respected, acclaimed, even revered. For 40 years he has been a mainstay of The New Yorker. He writes for the premier intellectual journal, the New York Review of Books. He has won the Pulitzer, the National Book Award, the American Book Award, the National Book Critics Circle prize. His name is a perpetual rumor in Stockholm at Nobel Prize time. If anyone is the standard-bearer of American literature at this moment, it is Updike.

"My God, I can't believe that," he says. He buries his face in his hands, as if to say: American literature is in big trouble. Part of his reputation stems from his omnipresence, his inevitability. Watch the volumes pile up: 18 novels and 12 short-story collections, plus essay collections thick as cinder blocks.

Then there's poetry, children's books, memoirs and a play. The trouble with all this

industry is that, once it's on the shelves, the reader must be induced to pick it up. So Updike starts this day at a radio station, where he chats for an hour with Christopher Lydon, host of "The Connection."

An unabashed admirer, Lydon lovingly quotes a sentence from "Bech at Bay" about two professors at a party, one tall and one short, "who insisted on huddling tete-a-tete, like the letter 'F' ligatured to the letter 'L'."

"When you write a line like that," Lydon says, "I presume you call out to your wife and say, 'Listen, this is what I just did, I'm going out to play a game of golf. I've done my work for the day.'"

Any author likes to hear stuff like this, but Updike feels he has been interviewed a little too often. "Bech at Bay," told from the point of view of a novelist who is all things Updike is not, or at least not yet — Jewish, chronically blocked, a bachelor, a New Yorker and finally an unexpected Nobel winner — is an opportunity for the novelist to let down his hair a bit, to zing the writing life, including the ubiquitous book chat folk.

"I do a lot of complaining in this book about the degree of publicity that writers are asked to do for themselves now," he admits to Lydon. "What a pity it is to turn every writer into a sort of sales placard for his work."

Does he ever think he might run out of words?

"Maybe it's happening, even as we sit here. I can feel it happening. The words are draining out of me."

He's joking again. But the longer Updike talks the more his sense of humor seems to return. This is the real person. He is well known for being pleasant, accommodating. If you have his number, you can call him and he'll answer. Try that with Philip Roth.

Meanwhile, literary feuds are alive and well. Or maybe they're just easier for the media to deal with. Thus we're being treated to the spectacle of Tom Wolfe vs. Updike, with Norman Mailer a late addition on the Updike team. Neither Updike nor Mailer exactly showered Wolfe's new novel, "A Man in Full," with unstinting praise, although the latter's evaluation, in the New York Review, was so overwrought it was sometimes hard to tell what he meant. (Sample passage: "Reading the work can even be said to resemble the act of making love to a 300-pound woman. Once she gets on top, it's over.")

Were these reviews motivated by jealousy? Wolfe would have you think so, telling one interviewer, disingenuously, that "people keep suggesting [Updike] went after my book because his own had just tanked. I don't believe that." He told another, that Mailer's and Updike's recent works "have been sinking without a bubble."

Wolfe is clearly hypersensitive to criticism. But then, so is Updike. "I've never liked a critic," he says, "though I thought it would be a nice and honorable thing to do. After all, they're hitting you."

In "Bech at Bay," the aging novelist takes to murdering the critics who have roughed him up. "Violence is our poetry now," he proclaims. "Now that sex has become fatally tainted." As Updike said on the radio: "One reviewer or three wouldn't be awfully missed if they did happen to drop dead."

And yet "Bech at Bay" has won accolades. ("Brilliant" — New York Review, "Irresistible" — Boston Globe, "You love it" — Wall Street Journal.) Don't they count? Not really. "When you get a favorable review you think in some way you've conned that poor reviewer. I think art begins as a child doing something on the floor with crayons, and the mother or father tells them how wonderful it is. It's a shock when you begin to publish books and the reaction isn't universally the same way — because you worked harder on the book than you did on those crayon drawings."

PEOPLE

ARCHAEOLOGISTS have unearthed two significant pieces of Roman history in London — the foundations of a massive arch and a wide river channel, long buried in the heart of the capital. "The foundations of the arch date back to the first or second century A.D. and are evidence that Roman London was a wealthy and sophisticated place," Bruce Watson said Thursday, when he and colleagues from the Museum of London announced the discoveries. The museum said the river channel may have influenced the location of the city, which the Romans occupied for about 400 years before departing in the fifth century.

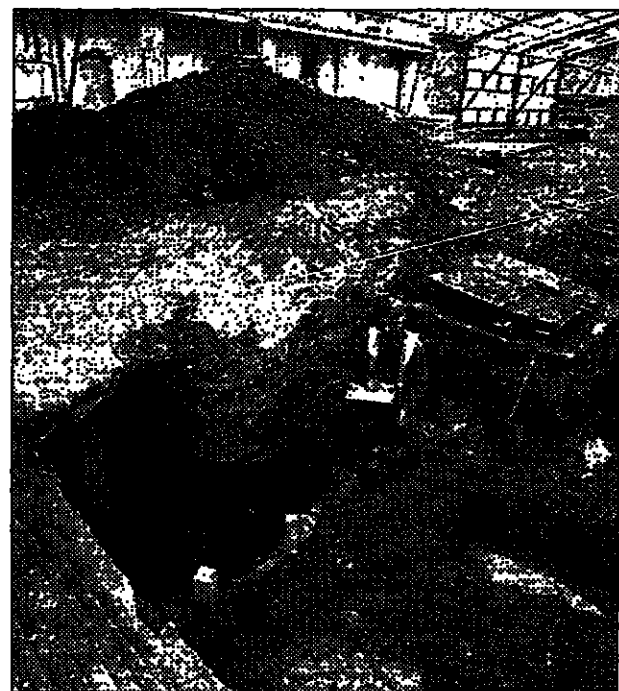
A stagehand has filed a \$3 million lawsuit against the pop group Backstreet Boys, contending he was injured by a 50-pound cannon — a stage prop that fires confetti — that fell on his head while he was working backstage during a concert in Virginia. Michael Barrett is seeking damages from the five-member group for injuries and emotional distress. A spokeswoman for the group did not return messages seeking a comment.

The mother of Diana, Princess of Wales, lashed out at conspiracy theorists who want to believe her daughter's death was more than a tragic accident, saying the pain they cause is like "having repetitive major emotional surgery without an anesthetic," a British tabloid reported Friday. "I tawled the

depths of my imagination, alongside extensive factual knowledge, and found no shred of evidence to support the stories," Frances Shand Kydd was quoted as saying in the Daily Mail. She spoke Thursday at a remembrance service for families of deceased children at St. George's Cathedral in south London, the newspaper said.

After a year of marriage, Peter Jennings is thinking about children. Jennings, the 60-year-old anchor of "World News Tonight," is married to Kayce Freed, a producer on the news program "20/20." "Kayce is 40. It would be inappropriate, to say the least, to marry a younger woman and not have thought about it," Jennings told TV Guide. "If Kayce wants to, why shouldn't I?"

U.S. marshals have seized several items from the home of Michael Jackson's father. The seizures are an attempt to collect a \$1.3 million judgment entered in 1996 after Jackson Communications Inc. filed bankruptcy in New Jersey. Taken from Joe Jackson's home in Encino, California, on Thursday were a baby grand piano Michael used to write songs for the "Thriller" album and a 1963 Rolls Royce Silver Cloud. H.V.V. Corp. contends Jackson Communications agreed to buy Kramer Guitar Co. from it but never paid. A lawyer for the Jackson family said the piano and the car belong to Michael, not his parents.



New Roman ruins have been unearthed in London.



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